Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2022 and 2021

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
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DINGUS | ZARECOR & ASSOCIATES PLLC
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INDEPENDENT AUDITORS' REPORT

Cordova Community Health Services Board
Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Cordova, Alaska

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Cordova Community Medical Center (the Center), a component unit of the City of Cordova, Alaska, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 1, the financial statements present only the financial information of the Center and do not purport to, and do not, present fairly the financial position of the City of Cordova, Alaska, as of December 31, 2022 and 2021, and the changes in its financial position or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

12015 East Main Avenue | Spokane Valley, WA 99206 | 509.242.0874 | www.dzacpa.com

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of proportionate share of net pension liability
  State of Alaska Public Employees' Retirement System – Defined Benefit Pension Plan
- Schedule of the Center's contributions
  State of Alaska Public Employees' Retirement System – Defined Benefit Pension Plan
- Schedule of proportionate share of net other postemployment benefits liability
  State of Alaska Public Employees' Retirement System – OPEB Plan
- Schedule of the Center's contributions
  State of Alaska Public Employees' Retirement System – OPEB Plan

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 17, 2023, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2022. We issued a similar report for the year ended December 31, 2021, dated June 7, 2022, which has not been included with the 2022 financial compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standard in considering the Center's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 17, 2023

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Statements of Net Position
December 31, 2022 and 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		2022		2021
Current assets				
Cash and cash equivalents	**$**	**1,566,782**	$	1,461,383
Receivables:				
Patient accounts		**2,041,369**		2,184,860
Third-party payor settlements		**-**		1,080,422
Inventories		**480,713**		446,800
Prepaid expenses		**195,664**		164,082
Total current assets		**4,284,528**		5,337,547
Noncurrent assets				
Capital assets, net		**4,339,583**		4,617,927
Net other postemployment benefits asset		**3,333,364**		4,957,077
Total noncurrent assets		**7,672,947**		9,575,004
Total assets		**11,957,475**		14,912,551
Deferred outflows of resources				
Goodwill		**75,000**		90,000
Pension plan		**604,598**		981,818
Other postemployment benefits		**433,401**		196,649
Total deferred outflows of resources		**1,112,999**		1,268,467
Total assets and deferred outflows of resources	**$**	**13,070,474**	$	16,181,018

See accompanying notes to basic financial statements.

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Statements of Net Position (Continued)
December 31, 2022 and 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**2022**	**2021**
Current liabilities		
Accounts payable	**$ 183,102**	$ 423,749
Accrued payroll and related liabilities	**327,747**	307,341
Accrued vacation	**307,825**	343,411
Third-party payor settlements	**50,799**	-
Current maturities of lease liabilities	**79,117**	118,672
Note payable to the City of Cordova	**5,466,459**	5,466,459
Total current liabilities	**6,415,049**	6,659,632
Noncurrent liabilities		
Lease liabilities, less current maturities	**-**	69,233
Net pension liability	**8,148,107**	6,825,636
Total noncurrent liabilities	**8,148,107**	6,894,869
Total liabilities	**14,563,156**	13,554,501
Deferred inflows of resources		
Pension plan	**-**	2,721,911
Other postemployment benefits	**426,299**	2,836,369
Total deferred inflows of resources	**426,299**	5,558,280
Total liabilities and deferred inflows of resources	**14,989,455**	19,112,781
Net deficit		
Net investment in capital assets	**4,260,466**	4,430,022
Unrestricted	**(6,179,447)**	(7,361,785)
Total net deficit	**(1,918,981)**	(2,931,763)
Total liabilities, deferred inflows of resources, and net position	**$ 13,070,474**	$ 16,181,018

See accompanying notes to basic financial statements.

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

		2022		2021
Operating revenues				
Net patient service revenue	**$**	**12,202,540**	$	12,534,535
Grants		**487,071**		449,807
PERS on-behalf special funding		**289,711**		389,149
Universal service fund assistance		**200,192**		199,650
Other		**198,763**		196,173
Total operating revenues		**13,378,277**		13,769,314
Operating expenses				
Salaries and wages		**5,897,892**		5,562,895
Employee benefits		**2,601,952**		2,259,426
Pension and other postemployment benefits		**(1,755,618)**		1,267,456
Supplies		**1,806,825**		1,609,481
Professional fees and purchased services		**2,111,317**		1,785,679
Equipment leases and rentals		**138,339**		122,485
Repairs and maintenance		**208,865**		244,055
Depreciation and amortization		**629,462**		557,263
Utilities		**533,984**		520,978
Insurance		**222,334**		194,653
Other expenses		**528,519**		450,749
Total operating expenses		**12,923,871**		14,575,120
Operating income (loss)		**454,406**		(805,806)
Nonoperating revenues				
COVID-19 grants		**258,376**		139,641
CARES Act Provider Relief Fund		**-**		3,144,490
Total nonoperating revenues		**258,376**		3,284,131
Change in net position before gain on forgiveness of Paycheck Protection Program loan and transfers in		**712,782**		2,478,325
Gain on forgiveness of Paycheck Protection Program loan		**-**		1,154,520
Transfers in				
Operational expenses paid for by the City of Cordova		**300,000**		307,952
Change in net position		**1,012,782**		3,940,797
Net deficit, beginning of year		**(2,931,763)**		(6,872,560)
Net deficit, end of year	**$**	**(1,918,981)**	$	(2,931,763)

See accompanying notes to basic financial statements.

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 13,477,252**	$ 11,029,833
Grants	**487,071**	449,807
Other receipts	**198,763**	196,836
Payments to suppliers	**(5,341,133)**	(4,291,828)
Payments to or on behalf of employees	**(8,515,024)**	(7,653,328)
Net cash from operating activities	**306,929**	(268,680)
Cash flows from noncapital financing activities		
Proceeds from CARES Act Provider Relief Fund	**-**	573,410
Proceeds from COVID-19 grants	**258,376**	139,641
Net cash from noncapital financing activities	**258,376**	713,051
Cash flows from capital and related financing activities		
Purchase of capital assets	**(351,118)**	(841,181)
Principal payments on lease obligations	**(108,788)**	(118,672)
Net cash from capital and related financing activities	**(459,906)**	(959,853)
Cash flows from investing activities		
Sale of investments	**-**	1,000,000
Net change in cash and cash equivalents	**105,399**	484,518
Cash and cash equivalents, beginning of year	**1,461,383**	976,865
Cash and cash equivalents, end of year	**$ 1,566,782**	$ 1,461,383

See accompanying notes to basic financial statements.

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities		
Operating income (loss)	**$ 454,406**	$ (805,806)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation and amortization	**629,462**	557,263
Amortization of deferred outflows of resources - goodwill	**15,000**	15,000
Operational costs provided by the City of Cordova	**300,000**	307,952
Provision for bad debts	**393,709**	694,558
(Increase) decrease in:		
Patient accounts receivable	**(250,218)**	(1,812,509)
Third-party payor settlements	**1,080,422**	(386,088)
Inventories	**(33,913)**	(39,461)
Prepaid expenses	**(31,582)**	(21,748)
Deferred outflows of resources, pension plan	**377,220**	(347,573)
Deferred outflows of resources, other postemployment benefits	**(236,752)**	318,913
Net other postemployment benefits asset	**1,623,713**	(4,378,187)
Increase (decrease) in:		
Accounts payable	**(240,647)**	174,859
Accrued payroll and related liabilities	**20,406**	86,253
Accrued vacation	**(35,586)**	35,429
Third-party payor settlements	**50,799**	-
Net pension liability	**1,322,471**	396,790
Deferred inflows of resources, pension plan	**(2,721,911)**	2,721,911
Deferred inflows of resources, other postemployment benefits	**(2,410,070)**	2,213,764
Net cash from operating activities	**$ 306,929**	$ (268,680)

See accompanying notes to basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Cordova Community Medical Center (the Center) operates a 23-bed critical access hospital. The Center provides inpatient and outpatient care, as well as long-term swing bed nursing facility services and the related ancillary procedures (laboratory, imaging, therapy, etc.) associated with those services. The Center also operates a retail pharmacy located in Cordova, Alaska. The Center is owned by the City of Cordova, Alaska (the City of Cordova), and for this reason the Center is considered to be a component unit of the City of Cordova and is included in its annual financial statements. The Center is governed by a Board of Directors (the Board) consisting of five publicly elected members. The Center has no component units.

b. Summary of Significant Accounting Policies

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 which affect the reported amounts of assets, liabilities, deferred inflows of resources, deferred outflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

Deferred outflows of resources – goodwill – Deferred outflows of resources include the amount the Center paid in excess of the fair value of tangible assets when acquiring Cordova Drug Clinic.

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

b. Summary of Significant Accounting Policies (continued)

Pensions and other postemployment benefits – For purposes of measuring the net pension and net other postemployment benefits (OPEB) liabilities, pension, and OPEB expense, information about the fiduciary net position of the Alaska Public Employees' Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS, and assuming the State's support under AS39.35.280 is a "Special Funding Situation" as defined by Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75. 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.

Compensated absences – The Center operates a paid time off (PTO) employee leave program to provide time off for rest, personal needs, and illness. Only regular full-time and part-time employees are eligible for PTO. PTO benefits accrue time that may be used for vacation or personal purposes up to 320 hours. Paid days off are accrued when incurred and reported as a liability.

Net position – Net position of the Center is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is composed of assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Center. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets* or *restricted.* There was no restricted net position at December 31, 2022 or 2021.

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

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

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

b. Summary of Significant Accounting Policies (continued)

Grants and contributions **–** From time to time, the Center receives grants from the state of Alaska and others, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Grants that are unrestricted, or that are restricted to a specific operating purpose, are reported as operating revenues. Grants that are used to subsidize operating deficits are reported as operating revenues. Contributions, except for capital contributions, are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Transfers – Transfers between the City of Cordova and the Center are required when the City of Cordova pays expenses on behalf of the Center, with no expectation of reimbursement to the City of Cordova by the Center.

Subsequent events – Subsequent events have been reviewed through May 17, 2023, the date on which the financial statements were available to be issued.

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

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

2. Bank Deposits:

Custodial credit risk is the risk that, in the event of a depository institution failure, the Center's deposits may not be returned to it. The Center does not have a deposit policy for custodial credit risk. At December 31, 2022 and 2021, the Center had uninsured and uncollateralized deposit balances of $1,470,327 and $1,217,345, respectively.

3. Patient Accounts Receivable:

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

The Center's allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior year. The Center does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors. Patient accounts receivable reported as a current asset by the Center consisted of these amounts:

	2022	2021
Receivables from patients and their insurance carriers	**$ 1,520,105**	$ 1,402,165
Receivable from Medicare	**460,893**	450,131
Receivable from Medicaid	**712,754**	958,954
Receivable from Retail pharmacy	**103,617**	126,610
Total patient accounts receivable	**2,797,369**	2,937,860
Less allowance for uncollectible accounts	**756,000**	753,000
Patient accounts receivable, net	**$ 2,041,369**	$ 2,184,860

4. Capital Assets:

Capital assets are assets with an individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are stated at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations as incurred. Lease assets are stated at the present value of the future lease payments plus any payments made at or before the start of the lease and costs to place the asset in service. Gains or losses on sales and retirements are included in nonoperating revenues and expenses. Depreciation is provided over the estimated useful lives of assets as determined from the American Hospital Association's published tables and management's estimate by the straight-line method using these asset lives:

Buildings	5 to 40 years
Fixed equipment	10 to 20 years
Major movable equipment	3 to 15 years
Lease right-of-use assets	5 years

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

	Balance December 31, 2021	**Additions**	**Retirements**	**Transfers**	**Balance December 31, 2022**
Capital assets not being depreciated					
Land	$ 122,010	$ -	$ -	$ -	**$ 122,010**
Construction in progress	851,766	337,616	-	(1,189,382)	**-**
Total capital assets not being depreciated	973,776	337,616	-	(1,189,382)	**122,010**
Capital assets being depreciated					
Buildings	7,664,341	-	-	1,002,548	**8,666,889**
Fixed equipment	4,606,282	-	-	28,290	**4,634,572**
Major movable equipment	4,818,799	13,502	-	(539,507)	**4,292,794**
Lease right-of-use - major movable equipment	-	-	-	698,051	**698,051**
Total capital assets being depreciated	17,089,422	13,502	-	1,189,382	**18,292,306**
Less accumulated depreciation for					
Buildings	5,767,665	210,906	-	-	**5,978,571**
Fixed equipment	3,702,079	89,909	-	-	**3,791,988**
Major movable equipment	3,975,527	189,037	-	(477,002)	**3,687,562**
Lease right-of-use major movable equipment	-	139,610	-	477,002	**616,612**
Total accumulated depreciation	13,445,271	629,462	-	-	**14,074,733**
Total capital assets being depreciated, net	3,644,151	(615,960)	-	1,189,382	**4,217,573**
Capital assets, net	**$ 4,617,927**	**$ (278,344)**	**$ -**	**$ -**	**$ 4,339,583**

4. Capital Assets (continued):

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

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
Capital assets not being depreciated					
Land	$ 122,010	$ -	$ -	$ -	**$ 122,010**
Construction in progress	893,443	217,861	-	(259,538)	**851,766**
Total capital assets not being depreciated	1,015,453	217,861	-	(259,538)	**973,776**
Capital assets being depreciated					
Buildings	7,664,341	-	-	-	**7,664,341**
Fixed equipment	3,872,448	543,957	-	189,877	**4,606,282**
Major movable equipment	4,669,775	79,363	-	69,661	**4,818,799**
Total capital assets being depreciated	16,206,564	623,320	-	259,538	**17,089,422**
Less accumulated depreciation for					
Buildings	5,563,458	204,207	-	-	**5,767,665**
Fixed equipment	3,654,616	47,463	-	-	**3,702,079**
Major movable equipment	3,669,934	305,593	-	-	**3,975,527**
Total accumulated depreciation	12,888,008	557,263	-	-	**13,445,271**
Total capital assets being depreciated, net	3,318,556	66,057	-	259,538	**3,644,151**
Capital assets, net	**$ 4,334,009**	**$ 283,918**	**$ -**	**$ -**	**$ 4,617,927**

5. Lease Liabilities:

A schedule of changes in the Center's lease liabilities follows:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amount Due Within One Year
Lease obligations	$ 187,905	$ -	$ (108,788)	$ 79,117	$ 79,117

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amount Due Within One Year
Lease obligations	$ 306,577	$ -	$ (118,672)	$ 187,905	$ 118,672

5. Lease Liabilities (continued):

Lease liability payable to Evident, in the original amount of $701,151, due in monthly payments of $9,890 with zero interest, through July 2023. Imputed interest on this lease was considered insignificant.

The Center's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Scheduled principal and interest repayments on the capital lease obligations are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	$ 79,117	$ -	$ 79,117

6. Note Payable:

The Center has a note payable due to the City of Cordova in the amount of $5,466,495 at December 31, 2022 and 2021. The note payable had no interest due and no payback terms as of December 31, 2022. The City of Cordova classifies it as note receivable. The note payable is deemed on-demand and is classified as current liabilities on the statements of net position.

7. Paycheck Protection Program Loan:

In April 2020, the Center was granted a loan from First National Bank Alaska in the amount of $1,154,520, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP loan was used to cover payroll costs. The Center applied for PPP loan forgiveness and forgiveness was approved on January 6, 2021. The loan forgiveness was recorded as a gain on forgiveness of Paycheck Protection Program note payable in the statements of revenues, expenses, and changes in net position for the year ended December 31, 2021.

8. Net Patient Service Revenue:

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

8. Net Patient Service Revenue (continued):

The Center's provisions for bad debts and writeoffs decreased from the prior year due to a significant writeoff of past due accounts in 2021. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2022	2021
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 3,723,019**	$ 3,030,188
Medicaid	**3,737,470**	5,528,371
Patients and third-party payors	**3,952,882**	3,439,051
Retail pharmacy	**1,380,714**	1,291,201
	12,794,085	13,288,811
Less:		
Charity care	**197,836**	59,718
Provision for bad debts	**393,709**	694,558
Net patient service revenue	**$ 12,202,540**	$ 12,534,535

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

- *Medicare* – The Center has been designated a critical access hospital. The Center is paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the Medicare administrative contractor. Physician services are reimbursed based on a fee schedule.

- *Medicaid* – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology. The Center is reimbursed at a prospective rate based on its cost from four years prior, plus a four-year inflation add-on rate.

8. Net Patient Service Revenue (continued):

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue decreased by approximately $-0- and $179,000 for the years ended December 31, 2022 and 2021, respectively, due to differences between original estimates and final settlements or revised estimates.

The Center provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Center's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Center does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Center determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2022 and 2021, were approximately $172,000 and $58,000, respectively. The Center did not receive any gifts or grants to subsidize charity services during 2022 and 2021.

9. Rural Health Care Program:

The Center participates in the Rural Health Care Program (RHC) of the Universal Service Fund (USF), which is administered by the Universal Service Administrative Company. RHC is a support program authorized by Congress and designed by the Federal Communications Commission (FCC) to provide reduced rates to rural healthcare providers for telecommunications services and internet access charges related to the use of telemedicine and telehealth. RHC is intended to ensure rural healthcare providers pay no more for telecommunications in the provision of healthcare services than their urban counterparts.

Payments under RHC are made directly by USF to the Center's telecommunications provider upon submission by the Center of the required FCC forms. The Center's contribution benefit under the program, which meets the definition of contributed services under generally accepted accounting principles, was $200,192 and $199,650 for the years ended December 31, 2022 and 2021, respectively, and is included in operating revenues in the accompanying statements of revenues, expenses, and changes in net position. In the event that the Center does not file all required FCC forms and payment is not made by USF, the telecommunications provider may seek payment from the Center for amounts unpaid.

10. Contingencies:

Risk management – The 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 natural disasters. The Center manages the risk of liability claims through commercial insurance coverage for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

10. Contingencies (continued):

Medical malpractice claims – The Center obtains medical malpractice insurance through National Fire & Marine Insurance Company. National Fire & Marine Insurance Company offers the Center a professional and general liability policy on a "claims made" basis with primary limits of $2,000,000 per claim and an annual aggregate limit of $4,000,000. The policy has a $-0- deductible per claim. The renewal date of the policy is October 15, 2023. No liability has been accrued for future coverage for acts occurring in this or prior years. Also, it is possible that claims may exceed coverage obtained in any given year.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the Center is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. If the Center is found in violation of these laws, the Center could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

11. Defined Benefit Pension Plan:

The Center reports a liability, deferred outflows of resources, deferred inflows of resources, and expense as a result of its requirement to contribute to the State of Alaska Public Employees' Retirement System (PERS).

11. Defined Benefit Pension Plan (continued):

Plan description – The Center contributes to the PERS, which is a cost-sharing multiple-employer defined benefit pension plan (DB Plan), which includes defined benefit health plan and occupational death and disability plan. PERS is governed by the Alaska Retirement Management Board, which consists of nine trustees as follows: two members, consisting of the commissioner of administration and the commissioner of revenue; two trustees who are members of the general public; one trustee who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two trustees who are members of PERS; and two trustees who are members of TRS. PERS issues a publicly available financial report that includes financial statements and the required supplementary information. That report may be obtained at: http://doa.alaska.gov/drb/pers/employee/resources/index.html.

Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. With the passage of Senate Bill (SB) 141, the DB Plan is closed to all new members, effective July 1, 2006.

The DB Plan's membership consisted of the following at June 30, 2022 and 2021:

	2022	**2021**
Inactive plan members or beneficiaries currently receiving benefits	**37,265**	36,704
Inactive plan members entitled to but not yet receiving benefits	**4,924**	5,112
Inactive plan members not entitled to benefits	**10,138**	10,366
Active plan members	**8,996**	10,066
Total DB Plan membership	**61,323**	62,248

11. Defined Benefit Pension Plan (continued):

Benefits provided – PERS provides retirement, health insurance premium supplement, long-term disability, occupational death and disability, and survivor benefits. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	"Tier 1"	"Tier 2"	"Tier 3"
Hire Date	1/1/1961 - 6/30/1986	Entered after 6/30/1986	Entered after 6/30/1996
Employee contribution rate	6.75%	6.75%	6.75%
Employer contribution rate	22.00%	22.00%	22.00%
Vesting	Five years	Five years	Pension Plan - Five years Medical Plan - Ten years
Qualifications for retirement after vesting	55, or early retirement at 50, or any age with 30 or more service years	60, or early retirement at 55, or any age with 30 or more service years	60, or early retirement at 55, or any age with 30 or more service years
Pension benefit:			
Basis	Average of the high three consecutive years' salary	Average of the high three consecutive years' salary	Average of the high five consecutive years' salary
Amount per year of service	2% to 2.5%, depending on hire date and length of service	2% to 2.5%, depending on hire date and length of service	2% to 2.5%, depending on hire date and length of service
Death benefit:			
Occupational causes	40% of member's salary	40% of member's salary	40% of member's salary
Nonoccupational causes	Spouse receives 50% of member's benefit, or lump-sum to other beneficiaries	Spouse receives 50% of member's benefit, or lump-sum to other beneficiaries	Spouse receives 50% of member's benefit, or lump-sum to other beneficiaries
Disability benefit:			
Occupational causes	40% of member's salary	40% of member's salary	40% of member's salary
Nonoccupational causes	Based on member's service and salary at the time of disability	Based on member's service and salary at the time of disability	Based on member's service and salary at the time of disability
OPEB benefits	No premium cost	Under 60 - full monthly premium, over 60 - no premium cost	Full monthly premium

11. Defined Benefit Pension Plan (continued):

Member and employer contributions – Contribution requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The DB Plan members' contribution rates are 7.50 percent for peace officers and firefighters, 9.60 percent for some school district employees, and 6.75 percent for general DB Plan members, as required by statute. Employer effective contribution rates are 22.00 percent of annual payroll. Alaska Statute 39.35.280 provides that the State, as a nonemployer contributing entity, contributes each July 1, or as soon after July 1 as possible for the ensuing fiscal year, an amount that, when combined with the total employer contributions, is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year.

Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the Defined Contribution Retirement Pension Plan payroll. The DBUL amount is computed as the difference between:

1. The amount calculated for the statutory employer contribution rate of 22.00 percent on eligible salary, less
2. The total of the employer contributions for:
   a) the defined contribution employer matching amount
   b) major medical
   c) occupational death and disability
   d) health reimbursement arrangement

The difference is deposited based on an actuarial allocation into the DB Plan's pension and healthcare funds.

Refunds – DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the member or a garnishing agency 60 days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday, or within 50 years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntarily refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they reestablished an employee relationship with a participating DB Plan employer before July 1, 2010. Members who did not reestablish an employee relationship with a participating DB Plan employer by June 30, 2010, are not eligible to reinstate voluntarily refunded service and have forfeited any claim to DB Plan membership rights. Balances previously refunded to members accrue interest at the rate of 7.0 percent per annum, compounded semiannually.

11. Defined Benefit Pension Plan (continued):

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – The Center reports a liability for its proportionate share of the net pension liability that reflects a reduction for state pension support provided to the Center. The amounts recognized by the Center as its proportionate share of the net pension liability, the related state support, and the total proportion of the net pension liability that was associated with the Center were as follows:

		2022		**2021**
Center's proportionate share of the net pension liability	**$**	**8,148,107**	$	6,825,636
State's proportionate share of the net pension liability associated with the Center		**2,256,190**		923,729
Total net pension liability	**$**	**10,404,297**	$	7,749,365

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022. The Center's proportion of the net pension liability was based on the projection of the Center's long-term share of contributions to the pension plan relative to the projected contributions of all participating PERS employers. At June 30, 2022 and 2021, the Center's proportion was 0.15987 percent and 0.10894 percent, respectively.

For the year ended December 31, 2022, the Center recognized pension expense (gain) of ($825,571) due to a change in estimate of the actuarial calculation. The Center also recognized revenue of $289,711, for support provided by the state.

For the year ended December 31, 2021, the Center recognized pension expense of $3,286,690 due to a change in estimate of the actuarial calculation. The Center also recognized revenue of $389,149, for support provided by the state.

In addition, at December 31, 2022 and 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2022

		Deferred Outflows of Resources		**Deferred Inflows of Resources**
Difference between projected and actual investment earnings	$	232,957	$	-
Changes in assumptions		-		-
Difference between expected and actual experience		-		-
Changes in proportion and differences between Center contributions		-		-
Center contributions subsequent to measurement date		371,641		-
Total	**$**	**604,598**	**$**	**-**

11. Defined Benefit Pension Plan (continued):

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued) –

2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	$ -	$ 2,691,672
Changes in assumptions	-	-
Difference between expected and actual experience	-	30,239
Changes in proportion and differences between Center contributions	655,206	-
Center contributions subsequent to measurement date	326,612	-
Total	**$ 981,818**	**$ 2,721,911**

The $371,641 and $326,612, reported as deferred outflows of resources related to pensions resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022, and the year ended December 31, 2021, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	
2023	$ (27,695)
2024	(70,989)
2025	(170,416)
2026	502,057
Total	**$ 232,957**

11. Defined Benefit Pension Plan (continued):

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Inflation	2.50%
Salary increases	Graded by service, from 8.50% to 3.85% for Peace officers/firefighters. Graded by age and service, from 6.75% to 2.85% for all others.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.

Pre-termination and post-termination mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Post-termination mortality rates were based on 98 percent of male and 106 percent of female rates of the Pub-2010 General Retiree table with MP-2021 generational improvement. Deaths are assumed to be occupational 70 percent of the time for peace officer/firefighters, 35 percent of the time for all others.

The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022, actuarial valuation adopted by the Board to better reflect expected future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Broad domestic equity	6.51%
Global equity (non-U.S.)	5.70%
Aggregate bonds	0.31%
Real assets	3.71%
Private equity	9.61%
Cash equivalents	-0.50%

11. Defined Benefit Pension Plan (continued):

Discount rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employer and nonemployer state contributions would continue to follow the current funding policy, which meets State statutes. Based on these 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 Center's proportionate share of the net pension liability to changes in the discount rate – The following presents the net pension liability of the Center calculated using the discount rate of 7.25 percent, as well as what the Center's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

2022

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Center's proportionate share of the net pension liability	$ 10,969,104	$ 8,148,107	$ 5,769,425

2021

	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Center's proportionate share of the net pension liability	$ 9,882,261	$ 6,825,636	$ 3,975,093

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

Payable to the pension plan – At December 31, 2022 and 2021, the Center reported payables to the PERS of $46,157 and $28,287, respectively.

12. Defined Contribution Retirement Pension Plan:

Plan description – The Center participates in the State of Alaska Defined Contribution Plan (DC Plan), Tier 4, administered by the state of Alaska, which provides retirement benefits for eligible employees hired after July 1, 2006. Additionally, certain active members of the DB Plan were eligible to transfer to the DC Plan if that member had not vested in the DB Plan. Benefit and contribution provisions are established by the State law and may be amended only by the State Legislature. Included in the DC Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. The DC Plan is included in the comprehensive annual financial report for PERS, and at the following website: http://doa.alaska.gov/drb/pers.

Pension benefits – A participating member is immediately and fully vested in that member's contribution and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of (a) 25 percent with two years of service; (b) 50 percent with three years of service; (c) 75 percent with four years of service; and (d) 100 percent with five years of service.

Contributions – Alaska statutes require an 8.0 percent contribution rate for DC Plan members. Employers are required to contribute 5.0 percent of the member's compensation. For the years ended December 31, 2022 and 2021, employee contributions totaled $380,234 and $334,503, respectively, and employer contributions were $245,014 and $209,065, respectively.

Refunds – A member is eligible to request a refund of contributions from their account 60 days after termination of employment.

Participant accounts – Participant accounts under the DC Plan are self-directed with respect to investment options. Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contribution and the appreciation or depreciation in unit value for the investment funds.

Record keeping/administrative fees consisting of a fixed amount, applied in a lump sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account, and applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the record keeper and by the State. The investment management fees are netted out of the funds' performance.

13. Other Postemployment Benefit Plans (OPEB):

a. Defined Benefit OPEB (DB OPEB)

As part of its participation in the PERS DB Plan (Tiers I, II, III), the Center participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP), and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the Center. Benefits vary per Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The DB OPEB plans are administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the DB Plan described earlier in these notes. From January 1, 2021 to June 30, 2021, the rate was 0 percent. From July 1, 2021 to December 31, 2022, the Center was required to contribute 6.46 percent of covered payroll into the DB OPEB plan.

The Center contributed $93,797 and $95,410 to the DB OPEB Plans for the years ended December 31, 2022 and 2021, respectively.

Other postemployment benefits liability, OPEB expenses, and deferred outflows of resources and deferred inflows of resources related to OPEB – The Center reports a liability (asset) for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for the State OPEB support provided to the Center. The amounts recognized by the Center for its proportional share, the related State proportion, and the total were as follows:

	2022	2021
Center’s proportionate share of NOL - ARHCT	**$ (3,122,193)**	$ (4,790,800)
Center’s proportionate share of NOL - RMP	**(101,893)**	(69,440)
Center’s proportionate share of NOL - ODD	**(109,278)**	(96,837)
Total Center's proportionate share	**(3,333,364)**	(4,957,077)
State’s proportionate share of NOL associated with the Center	**(893,344)**	(625,009)
Total net other postemployment benefits liability (asset)	**$ (4,226,708)**	$ (5,582,086)

13. Other Postemployment Benefit Plans (OPEB) (continued):

a. Defined Benefit OPEB (DB OPEB) (continued)

Other postemployment benefits liability, OPEB expenses, and deferred outflows of resources and deferred inflows of resources related to OPEB (continued) – The total OPEB liability for the June 30, 2022, measurement date was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022, to calculate the net OPEB liability as of that date. The Center's proportion of the net OPEB liability was based on a projection of the Center's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2022 Measurement Date Employer Proportion	**June 30, 2021 Measurement Date Employer Proportion**	**Change**
Center's proportionate share of the net OPEB liabilities			
ARHCT	**0.15868%**	0.21120%	0.05252%
RMP	**0.29339%**	0.25870%	-0.03469%
ODD	**0.24928%**	0.21972%	-0.02956%

For the year ended December 31, 2022, the Center recognized a gain in OPEB expense of $1,219,758 due to a change in estimate of the actuarial calculation. For the year ended December 31, 2021, the Center recognized a gain in OPEB expense of $2,361,072. In addition, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2022	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 5,051	$ 61,952
Changes in assumptions	19,729	266,151
Net difference between projected and actual earnings on OPEB plan investments	195,367	-
Changes in proportion and differences between Center contributions and proportionate share of contributions	168,083	98,196
Center contributions subsequent to measurement date	45,171	-
Total	**$ 433,401**	**$ 426,299**

13. Other Postemployment Benefit Plans (OPEB) (continued):

a. Defined Benefit OPEB (DB OPEB) (continued)

Other postemployment benefits liability, OPEB expenses, and deferred outflows of resources and deferred inflows of resources related to OPEB (continued) –

2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 5,163	$ 80,062
Changes in assumptions	21,583	223,049
Net difference between projected and actual earnings on OPEB plan investments	-	2,319,489
Changes in proportion and differences between Center contributions and proportionate share of contributions	123,281	213,769
Center contributions subsequent to measurement date	46,622	-
Total	**$ 196,649**	**$ 2,836,369**

The $45,171 and $46,622 reported as deferred outflows of resources related to OPEB resulting from Center's contributions subsequent to the measurement date will be recognized as a reduction of the net other postemployment benefits liability in the years ended December 31, 2022 and 2021, respectively.

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

Years Ending December 31,	
2023	$ (151,485)
2024	(83,009)
2025	(163,663)
2026	410,473
2027	(22,233)
Thereafter	(28,152)
Total	**$ (38,069)**

13. Other Postemployment Benefit Plans (OPEB) (continued):

a. Defined Benefit OPEB (DB OPEB) (continued)

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Investment rate of return	7.25, net of postretirement healthcare plan investment expense. This is based on an average inflation rate of 2.5% and a real rate of return of 4.75%
Trend rates	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drugs: 7.5% grading down to 4.5%. Retiree Drug Subsidy/Employer Group Waiver Plans: 7.5% grading down to 4.5%
Mortality	Pre-termination and post-termination mortality rates were based on the Pub-2010 General Employee Table mortality experience. Post-termination mortality rates were based on 101% of the male rates and 110% of the female rates of the Pub-2010 General Employee Table projected with MP-2021 generational improvement. The rates for pre-termination mortality were 100% of the Pub-2010 General Employee Table employee table with MP-2021 generational improvement.
Participation	100% of system paid members and their spouses assumed to elect the healthcare benefits as soon as they are eligible. 20% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

13. Other Postemployment Benefit Plans (OPEB) (continued):

a. Defined Benefit OPEB (DB OPEB) (continued)

Actuarial assumptions (continued) –The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022, actuarial valuation adopted by the Board to better reflect expected future experience.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the benefit plan's target asset allocation as of June 30, 2022, are summarized in the following table (note that the target rates shown below exclude the inflation component):

Asset Class	Long-term Expected Real Rate of Return	Allocation	Range
Broad domestic equity	6.51%	27.00%	+/- 6%
Global equity (non-U.S.)	5.70%	18.00%	+/- 4%
Aggregate bonds	0.31%	21.00%	+/- 10%
Opportunistic	0.00%	6.00%	+/- 4%
Real assets	3.71%	14.00%	+/- 7%
Private equity	9.61%	14.00%	+/- 6%
Cash equivalents	-0.50%	0.00%	0.00%

Discount rate – The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employer and nonemployer State contributions would continue to follow the current funding policy, which meets State statutes. Based on these assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

13. Other Postemployment Benefit Plans (OPEB) (continued):

a. Defined Benefit OPEB (DB OPEB) (continued)

Sensitivity of the Center's proportionate share of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the Center calculated using the discount rate of 7.25 percent, as well as what the Center's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

2022

	Proportionate Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Center's proportionate share of the net OPEB liabilities:				
ARHCT	0.15868%	$ (1,855,033)	$ (3,122,193)	$ (4,184,821)
RMP	0.29339%	(18,741)	(101,893)	(193,886)
ODD	0.24928%	(102,939)	(109,278)	(114,236)
		$ (1,976,713)	**$ (3,333,364)**	**$ (4,492,943)**

2021

	Proportionate Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Center's proportionate share of the net OPEB liabilities:				
ARHCT	0.21120%	$ (3,543,870)	$ (4,790,800)	$ (6,975,946)
RMP	0.25870%	45,321	(69,440)	(156,119)
ODD	0.21972%	(92,726)	(96,837)	(100,111)
		$ (3,591,275)	**$ (4,957,077)**	**$ (7,232,176)**

13. Other Postemployment Benefit Plans (OPEB) (continued):

a. Defined Benefit OPEB (DB OPEB) (continued)

Sensitivity of the Center's proportionate share of the net OPEB liability (asset) to changes in the healthcare cost trend rates – The following presents the net OPEB liability (asset) of the Center calculated using the healthcare cost trend rate as summarized in the 2021 actuarial valuation report and using trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

2022

	Proportionate Share	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB liabilities:				
ARHCT	0.15868%	$ (4,309,827)	$ (3,122,193)	$ (1,703,931)
RMP	0.29339%	(206,520)	(101,893)	39,032
ODD	0.24928%	N/A	(109,278)	N/A
		$ (4,516,347)	**$ (3,333,364)**	**$ (1,664,899)**

2021

	Proportionate Share	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB liabilities:				
ARHCT	0.21120%	$ (7,158,219)	$ (4,790,800)	$ (3,319,962)
RMP	0.25870%	(168,526)	(69,440)	65,572
ODD	0.21972%	N/A	(96,837)	N/A
		$ (7,326,745)	**$ (4,957,077)**	**$ (3,254,390)**

13. Other Postemployment Benefit Plans (OPEB) (continued):

a. Defined Benefit OPEB (DB OPEB) (continued)

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

DC Plan participants participate in the Occupational Death and Disability Plan (ODD) and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for PERS as noted in Note 11 and Note 12. These plans provide for death, disability, and postemployment healthcare benefits.

Employees do not contribute to the DC OPEB plans. The Center's contribution rates for the Retiree Medical and ODD plans for year ended December 31, 2022, were 1.07 percent and 0.31 percent, respectively. The Center's contribution rates for the Retiree Medical and ODD plans for the year ended December 31, 2021, were 1.27 percent and 0.31 percent, respectively. In addition, DC Plan members also participate in the Health Reimbursement Arrangement. Alaska Statute 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of all employees of all employers in the plan." For actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period. For the year ended December 31, 2022, the rate was $2,168 per year for each full-time employee. For the year ended December 31, 2021, the rate was $2,159 per year for each full-time employee. For the years ended December 31, 2022 and 2021, the Center contributed $129,857 and $112,818, respectively, in DC OPEB costs, which was recognized as an expense.

14. Healthcare Self-insurance:

The Center participates in a self-insured health insurance plan administered by Professional Benefit Services, Inc. (PBS). The Center self-insures the first $45,000 in claims per eligible participant. The Center also purchases annual stop-loss insurance coverage for all claims in excess of $45,000 per participant. The calculation of loss coverage is based upon a set dollar amount per covered employee. The Center accrues an incurred but not reported liability for plan claims that had been incurred but that have not yet been reported to PBS. This liability is included in accrued compensation and related liabilities in the accompanying statements of net position. Activity in the Center's accrued employee health claims liability is as follows:

	2022	**2021**
Claim liability, beginning of year	**$ 102,000**	$ 74,000
Current year claims and changes in estimates	**867,465**	490,957
Claims payments	**(889,465)**	(462,957)
Claim liability, end of year	**$ 80,000**	$ 102,000

15. Concentration of Risk:

Patient accounts receivable **–** The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements.

The mix of patient receivables was as follows:

	2022	2021
Medicare	**18 %**	17 %
Medicaid	**24**	34
Other third-party payors	**32**	18
Patients	**26**	31
	100 %	100 %

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

16. CARES Act Provider Relief Fund:

By December 2021, the Center had received $4,227,152 of funding from the CARES Act Provider Relief Fund. These funds are required to be used to reimburse the Center for healthcare-related expenses or lost revenues that are attributable to coronavirus. The Center has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the years ended December 31, 2022 and 2021, the Center recognized approximately $-0- and $3,144,000, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Schedule of Proportionate Share of Net Pension Liability
State of Alaska Public Employees' Retirement System –
Defined Benefit Pension Plan
Last 10 Years *

June 30,	Center's Portion of the Net Pension Liability	Center's Proportionate Share of the Net Pension Liability	Center's Covered-employee Payroll	Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.15987000%	$ 8,148,107	$ 493,767	1650.19%	67.97%
2021	0.10894000%	6,825,636	486,677	1402.50%	76.46%
2020	0.10894000%	6,428,846	471,214	1364.32%	61.61%
2019	0.10894000%	5,963,724	378,013	1577.65%	63.42%
2018	0.10415000%	5,175,441	339,268	1525.47%	65.19%
2017	0.07756000%	4,009,383	472,598	848.37%	63.37%

*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Center will present information for those years for which information is available. Information for 2014, 2015, and 2016 is not available for the first three years GASB Statement No. 68 was effective.

Data reported is measured as of June 30, 2022 (measurement date).

See accompanying independent auditors' report.

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Schedule of the Center's Contributions
State of Alaska Public Employees' Retirement System –
Defined Benefit Pension Plan
Last 10 Years *

December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution (Deficiency) Excess	Center's Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2022	$ 714,389	$ 714,389	$ -	$ 493,767	144.68%
2021	609,731	609,731	-	486,677	125.28%
2020	448,011	448,011	-	471,214	95.08%
2019	340,382	340,382	-	378,013	90.05%
2018	446,906	446,906	-	339,268	131.73%
2017	344,186	344,186	-	472,598	72.83%

*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Center will present information for those years for which information is available. Information for 2014, 2015, and 2016 is not available for the first three years GASB Statement No. 68 was effective.

Data reported is measured as of December 31, 2022.

See accompanying independent auditors' report.

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Schedule of Proportionate Share of Net Other Postemployment Benefits Liability
State of Alaska Public Employees' Retirement System –
OPEB Plan
Last 10 Years *

June 30,	Center's Portion of the Net Other Postemployment Benefits Liability	Center's Proportionate Share of the Net Other Postemployment Benefits Liability (Asset)	Center's Covered-employee Payroll	Center's Proportionate Share of the Net Other Postemployment Benefits Liability as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefits Liability
2022	0.15868000%	$ (3,333,364)	$ 5,205,136	-64.04%	128.51%
2021	0.21120000%	(4,957,077)	4,897,876	-101.21%	135.54%
2020	0.10890000%	(578,890)	4,094,125	-14.14%	106.15%
2019	0.10893000%	161,642	3,606,556	4.48%	98.13%
2018	0.10409000%	1,061,999	3,652,931	29.07%	88.12%
2017	0.07760000%	628,821	3,643,960	17.26%	89.68%

*GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Center will present information for those years for which information is available. Information for 2014, 2015, and 2016 is not available for the first three years GASB Statement No. 75 was effective.

Data reported is measured as of June 30, 2022 (measurement date).

See accompanying independent auditors' report.

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Schedule of the Center's Contributions
State of Alaska Public Employees' Retirement System – OPEB Plan
Last 10 Years *

December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution (Deficiency) Excess	Center's Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2022	$ 93,797	$ 93,797	$ -	$ 5,205,136	1.80%
2021	95,410	95,410	-	4,897,876	1.95%
2020	145,036	145,036	-	4,094,125	3.54%
2019	172,462	172,462	-	3,606,556	4.78%
2018	167,939	167,939	-	3,652,931	4.60%
2017	139,666	139,666	-	3,643,960	3.83%

*GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Center will present information for those years for which information is available. Information for 2014, 2015, and 2016 is not available for the first three years GASB Statement No. 75 was effective.

Data reported is measured as of December 31, 2022.

See accompanying independent auditors' report.

SINGLE AUDIT

AUDITORS' SECTION

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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

Cordova Community Health Services Board
Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Cordova, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cordova Community Medical Center, a component unit of the City of Cordova, Alaska, (the Center), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 17, 2023.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 17, 2023

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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

Cordova Community Health Services Board
Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Cordova, Alaska

Report on Compliance for the Center's Major Federal Program

Qualified Opinion on the Center's Major Federal Program

We have audited Cordova Community Medical Center, a component unit of the City of Cordova, Alaska, (the Center's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended December 31, 2022. The Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Qualified Opinion on the Center's Major Federal Program

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

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

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Matters Giving Rise to Qualified Opinion on the Major Federal Program

As described in the accompanying schedule of audit findings and questioned costs, the Center did not comply with requirements regarding Assistance Listing 93.498 Provider Relief Fund as described in finding numbers 2022-001 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider a deficiency in internal control over compliance described in the accompanying schedule of audit findings and questioned costs as item 2022-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of audit findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 17, 2023

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2022

Section I — Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

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

Identification of major federal program:

Federal Assistance Listing Numbers	*Name of Federal Program or Cluster*
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

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

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

Section II – Financial Statement Findings

No matters were reported for 2022.

Section III – Federal Award Findings and Questioned Costs

2022-001 Provider Relief Fund Reporting of Lost Revenue

Federal Agency	Department of Health and Human Services
Federal Assistance Listing Number	93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
Award Numbers	Not applicable
Criteria	[X] Compliance Finding [ ] Significant Deficiency [X] Material Weakness Under the terms and conditions of the award, the recipient certifies it will report actual net patient revenues for the periods reported on in its reporting of actual net patient revenues for its calculation of lost revenues due to coronavirus.
Condition	The Center's 2022 net patient service revenue was overstated due to the exclusion of contractual adjustments. As a result, net patient service revenues were not accurately reported.
Context	This finding appears to be an *isolated* instance.
Cause	The Center prepared its lost revenue calculations without including contractual adjustments.
Effect	The actual net patient services revenues did not reflect the correct amounts to be used in its lost revenue calculations. If the adjustment was properly allocated, the Center would have reported more lost revenues to use towards Provider Relief Fund amounts received. Therefore, there is no effect on the Center's retention of the Provider Relief Funds.
Recommendation	We recommend the Center's management correct its lost revenue calculation in subsequent period reporting for the Provider Relief Fund.
Views of responsible officials and planned corrective actions	For Provider Relief Fund Phase 4 reporting, the 2022 net patient revenues were overstated as a result of the Center not including contractual adjustments; this resulted in an overstatement of revenue for the purposes of lost revenue calculation. We have changed our methodology for calculating net patient revenue and have also recalculated our 2022 net patient revenues. The recalculated 2022 net patient revenue numbers result in an increase of $789,200 in lost revenue that would have been available for us to use when completing our PRF Phase 4 report. The corrected numbers would be submitted in a subsequent period report, however at this time, the Center does not have any additional reporting due, and does not have a means to submit the corrected information. For any future reporting periods, contractual adjustment information will be included when calculating the net patient revenue.

AUDITEE'S SECTION

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Information	Federal Expenditures
U.S. Department of Health and Human Services Direct Programs:				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	$ 573,413
Total U.S. Department of Health and Human Services Direct Programs				573,413
U.S. Department of Health and Human Services Pass-through Programs From:				
State of Alaska Department of Health and Social Services:				
Aging Cluster:				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.045	607-309-22007 & 167-309-23006		118,281
Small Rural Hospital Improvement Grant Program	93.301			11,855
Rural Health Research Centers	93.155	C0621-853	COVID-19	258,376
Total U.S. Department of Health and Human Services Pass-through Programs				388,512
Total U.S. Department of Health and Human Services				961,925
Total expenditures of federal awards				**$ 961,925**

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

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cordova Community Medical Center (the Center) under programs of the federal government for the year ended December 31, 2022. Amounts reported for Federal Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based on the June 30, 2022 and December 31, 2022, Provider Relief Fund reports. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the net position, changes in net position, or cash flows of the Center.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Center has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Cordova Community
MEDICAL CENTER

P: (907) 424-8000 | F: (907) 424-8116
P.O. Box 160 | 602 Chase Ave., Cordova, AK 99574-0160

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Corrective Action Plan
Year Ended December 31, 2022

The current year Schedule of Audit Findings and Questioned Costs reported one matter in Section III – Federal Award Findings and Questioned Costs.

Current year audit finding:

2022-001 Provider Relief Fund Reporting of Lost Revenue

Corrective action planned:	Use of the new methodology for calculating net patient revenue for all subsequent reporting periods.
Anticipated completion date:	Complete as of May 11, 2023
Contact person responsible for corrective action:	Denna Stavig, Director of Finance

Cordova Community Medical Center
a Component Unit of the City of Cordova, Alaska
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

The audit for the year ended December 31, 2021, reported no audit findings, nor were there any unresolved findings from periods prior to 2020. Therefore, there are no matters to report in this schedule for the year ended December 31, 2022.