Independent Auditor's Report and Financial Statements

Newman Memorial County Hospital
d/b/a Newman Regional Health

December 31, 2024 and 2023

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Newman Memorial County Hospital d/b/a Newman Regional Health
Management's Discussion and Analysis
Years ended December 31, 2024 and 2023

Our discussion and analysis of the financial performance of Newman Regional Health provides a narrative overview of the Hospital's financial activities for the years ended December 31, 2024 and 2023. Please read it in conjunction with the accompanying financial statements.

Financial highlights

The Hospital's net position increased by $1,033,826 or 12.1 percent in 2024 as compared to decreasing by $2,113,702 or 19.8 percent in 2023.

The Hospital reported an operating loss of $1,752,618 in 2024 compared to an operating loss of $4,208,496 in 2023. Significant items that affected the change in this loss from 2023 to 2024 are discussed in this management's discussion and analysis.

Using these financial statements

The Hospital's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by or for the benefit of the Hospital, and resources restricted for specific operating purposes by contributors, grantors, and indenture agreements.

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Hospital's resources including all restricted and unrestricted assets and all liabilities using the accrual basis of accounting in a way that helps answer this question. Revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. The Hospital's net position - the difference between assets and liabilities may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Consideration must also be given to other nonfinancial indicators, such as changes in the Hospital's patient base and measures of the quality of service provided to the community, as well as local economic factors to assess the overall health of the Hospital.

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

Assets, deferred outflows, liabilities, deferred inflows, and net position

The Hospital's statements of net position as of the end of each of the last three years are summarized as follows:

	2024	2023	2022
Assets			
Current assets	$ 29,603,039	$ 30,375,588	$ 28,055,388
Assets limited as to use	4,458,884	1,595,528	1,604,782
Capital assets, net	27,830,384	27,781,136	29,294,262
Other assets	1,972,930	2,539,004	3,015,514
Total assets	63,865,237	62,291,256	61,969,946
Liabilities			
Current liabilities	(11,040,640)	(10,671,618)	(8,127,380)
Long-term obligations	(15,414,360)	(16,914,066)	(18,357,765)
Total liabilities excluding net pension and OPEB liabilities	(26,455,000)	(27,585,684)	(26,485,145)
Deferred inflows related to lease receivables	(2,073,662)	(2,589,678)	(3,038,483)
Pension and OPEB liabilities net of deferred outflows and net deferred inflows of resources related to pension and OPEB plans	(25,756,922)	(23,570,067)	(21,227,789)
Net position	$ 9,579,653	$ 8,545,827	$ 11,218,529

Our liquidity position when measured by the ratio of current assets to current liabilities was 2.7 in 2024, 2.8 in 2023, and 3.5 in 2022. Current assets decreased by $772,549 in 2024 and increased by $2,320,200 in 2023. Significant components of current assets are cash and cash equivalents and patient accounts receivable. Cash and cash equivalents totaled $9.7 million in 2024 and $14.5 million in 2023. The Board of Trustees has also set aside $2.9 million in 2024 for replacement of capital or for the purchase of additional capital assets. Although, at the discretion of the Board, they may subsequently be used for other purposes, these assets are reported as internally designated assets limited as to use on the statements of net position. The level of patient accounts receivable is impacted by patient revenues generated during the last two months of the year as well as our efficiency in collecting charges. The number of days net revenue reported in net accounts receivable was 52 days in 2024, 52 days in 2023, and 50 days in 2022.

Total liabilities, excluding the net pension and OPEB liabilities, decreased in 2024 by $1,130,684 and increased in 2023 by $1,100,539. The significant item affecting the decrease in 2024 are the decrease in estimated third-party settlements.

The net pension and OPEB liabilities, deferred outflows, and inflows related to KPERS were $25,756,922, $23,570,067, and $21,227,789 at December 31, 2024, 2023, and 2022, respectively. The changes in these net amounts are actuarially determined by KPERS and will fluctuate based on actuarial assumptions related to investment returns, inflation, mortality rates, and other factors.

Operating results and changes in net position

In 2024, the Hospital's net position increased by $1,033,826 or 12 percent as shown in the following table. The Hospital's operating results and changes in net position for each of the last three years are summarized as follows:

	2024	2023	2022
Operating revenues			
Net patient service revenue	$ 87,241,708	$ 79,764,725	$ 73,941,391
Other operating revenue	3,827,632	3,225,218	3,567,660
Total operating revenue	91,069,340	82,989,943	77,509,051
Operating expenses			
Salaries and wages	41,795,221	39,632,092	36,544,041
Employee benefits	13,339,631	11,855,001	10,803,598
Supplies and other expenses	34,030,197	32,007,367	33,993,770
Depreciation and amortization	3,656,909	3,703,979	3,496,261
Total operating expenses	92,821,958	87,198,439	84,837,670
Operating loss	(1,752,618)	(4,208,496)	(7,328,619)
Interest expense	(549,264)	(593,990)	(618,677)
Property taxes	500,000	375,000	350,000
Other nonoperating revenues (expenses)	1,929,668	2,034,932	2,932,122
Capital grants and contributions	906,040	278,852	568,819
Change in net position	$ 1,033,826	$ (2,113,702)	$ (4,096,355)

The first component of the overall change in the Hospital's net position is the operating income - generally, the difference between operating revenues and expenses incurred to perform those services. The Hospital reported an operating loss of $1,752,618 in 2024, a $2,455,878 decrease in loss as compared with 2023. There were three noticeable changes between 2024 and 2023 that affected the change in operating loss. The first item affecting the change in operating results was the overall increase in net patient service revenue of $7,476,983 in 2024, and increased by $5,823,334 in 2023, both as compared with the prior year. Another item affecting the change in operating loss was the change in the actuarial adjustments related to pension and other post-employment benefit expenses associated with our participation in the KPERS system. These adjustments totaled $2,186,855 in 2024, $2,342,278 in 2023, and $1,410,231 in 2022. The last noticeable change is the change in both employed personnel and contracted labor costs. Salaries and wages expense increased in 2024 by $2,163,129 after increasing by $3,088,051 in 2023. Contracted labor costs decreased by $326,187 in 2024 after decreasing by $2,792,611 in 2023.

The operating performance of our Hospital is influenced by utilization, availability of physician services, patient access to health insurance coverage, and third-party reimbursement rates. The Hospital generates approximately 17 percent of gross revenues from inpatient services and 83 percent from outpatient and physician services. The Medicare program, which accounts for 46 percent of the Hospital's net revenues,

reimburses inpatient, swing-bed, rural health clinic (RHC), and outpatient services based upon a cost reimbursement methodology. Inpatient rehabilitation, physician other than RHC services, hospice, and DME services are prospectively reimbursed by Medicare.

The Hospital's net patient service revenue increased by 9.4 percent in 2024 as compared to 2023, and increased by 7.9 percent in 2023 as compared to 2022. The change in net revenues is partially due to an increase in outpatient patient volumes which have offset changes in inpatient volumes. Total inpatient days of care (acute, intensive care, swing-bed, rehabilitation, and nursery) were 8,203, 8,322, and 7,908 in 2024, 2023, and 2022, respectively.

The change in operating revenues from year to year is also impacted by the amount of payments received from the State of Kansas Medicaid disproportionate share hospital (DSH) program. During 2024, 2023, and 2022, the Hospital recognized Medicaid DSH revenue of $1,830,646, $1,339,650, and $1,177,978, respectively. Eligibility for these payments is determined annually based upon numerous factors including uncompensated care cost from providing services to the uninsured and Medicaid beneficiaries as compared with other qualifying hospital providers. These funds are essential to offsetting a portion of the loss from treating uninsured and underinsured patients.

Another factor affecting net patient service revenue is the amount of care provided by the Hospital for which no payment is received or expected to be received. Understanding our role as a community member, the Hospital has a policy to automatically provide a 20 percent discount to all uninsured patients. The percentage of gross charges that are written off due to uninsured discounts, charity care discounts, and bad debts equaled 4.6 percent in 2024. This compares to 5.3 percent in 2023 and 5.0 percent in 2022. Total discounts granted to uninsured or charity care patients equaled $3,412,907 in 2024 as compared to $3,357,579 in 2023 and $2,487,699 in 2022.

Salaries and benefits are significant components of operations. Total salaries and wages increased by 5.5 percent in 2024, 8.5 percent in 2023, and by 7.1 percent in 2022. The change in salaries is driven by the change in FTEs and increased market rate adjustments which were necessary to adjust to the local market. Employee benefits expense excluding the effect of the actuarial adjustment related to the pension plan represented 26.7, 24.0, and 25.7 percent of salary expense. The change in this percentage is largely dependent upon our KPERS funding requirements and the cost of health insurance. Health insurance increased approximately $1,013,000 in 2024 and decreased approximately $380,000 in 2023 as compared to the prior year. Our KPERS cash funding (excluding the pension adjustment) was 9.3 percent, 8.4 percent, and 8.9 percent of covered salary in 2024, 2023, and 2022. As noted above, the effect of the actuarial determined pension and OPEB expense was a $2,327,281 increase in expense in 2024, $2,185,156 increase in 2023, and a $1,410,231 increase in 2022. Additional information related to the funding of our pension obligations can be found in the footnotes and supplementary information.

Supplies and other expenses increased by $2,022,830 or 6.3 percent in 2024 and decreased by $1,986,403 or 5.8 percent in 2023, as compared to 2022. The increase in 2024 expense is due to an increase of cost of drugs and an increase in the Hospice expenses.

Depreciation and amortization expenses decreased $47,070 in 2024, increased $207,718 in 2023, and increased $409,877 in 2022. These changes are based on the level of new capital and equipment placed into service by year as compared to the property and equipment which becomes fully depreciated.

Other nonoperating revenue and (expenses) and capital grants and contributions were $2,786,444 in 2024, $2,094,794 in 2023, and $3,232,264 in 2022. The increase in 2024 is due to the Hospital recognizing more capital related grants.

This financial report is designed to provide a general overview of the Hospital's finances and to discuss the significant changes in our financial statements. If you have any questions about the report or need additional financial information, contact the Administration Office at Newman Regional Health.

Wendling Noe Nelson & Johnson LLC
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Independent Auditor's Report

Board of Trustees
Newman Memorial County Hospital

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Newman Memorial County Hospital d/b/a Newman Regional Health (the Hospital) as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of December 31, 2024 and 2023, and the respective 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 and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Emphasis of Matters

As discussed in Note A21 to the financial statements, in 2024 the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, and Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing

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standards and the Kansas Municipal Audit and Accounting Guide 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 generally accepted auditing standards and Kansas Municipal Audit and Accounting Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4, and the pension and other postretirement information on pages 40 through 42 be presented to supplement the basic financial statements. 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.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
April 9, 2025

Financial Statements

Newman Memorial County Hospital d/b/a Newman Regional Health
Statements of Net Position
December 31, 2024 and 2023

Assets and Deferred Outflows of Resources

	2024	2023
Current assets		
Cash and cash equivalents	$ 9,706,607	$ 14,501,204
Assets limited as to use	383,310	182,978
Patient accounts receivable, net of estimated uncollectibles of $3,987,700 in 2024 and $2,625,600 in 2023	12,277,175	11,441,550
Other receivables	2,255,903	436,040
Lease receivables	454,892	457,499
Inventories	1,929,171	1,918,369
Prepaid expenses	943,306	425,946
Estimated third-party payor settlements	1,652,675	1,012,002
Total current assets	29,603,039	30,375,588
Assets limited as to use		
Internally designated	2,901,755	
Under bond indenture agreements - held by trustee	1,557,129	1,595,528
Total assets limited as to use	4,458,884	1,595,528
Capital assets		
Capital assets not being depreciated	1,397,737	1,833,058
Depreciable capital assets, net of accumulated depreciation	25,553,005	24,915,024
Leased assets, net of accumulated amortization	591,034	824,644
Subscription IT assets, net of accumulated amortization	288,608	208,410
Total capital assets	27,830,384	27,781,136
Other assets		
Lease receivables, less current portion	1,618,770	2,132,179
Other receivables	309,934	355,189
Prepaid bond insurance	44,226	51,636
Total other assets	1,972,930	2,539,004
Total assets	63,865,237	62,291,256
Deferred outflows of resources		
Pension and other postemployment benefits	9,076,037	10,269,419
Total assets and deferred outflows of resources	$ 72,941,274	$ 72,560,675

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	2024	2023
Current liabilities		
Current maturities of long-term debt	$ 1,480,608	$ 1,486,101
Current maturities of lease liabilities	63,649	237,540
Current maturities of subscription IT liabilities	116,786	59,678
Accounts payable and accrued expenses	2,948,263	1,949,392
Accrued salaries, discretionary leave, and benefits	6,307,203	4,937,035
Other current liabilities	124,131	133,872
Estimated third-party payor settlements		1,868,000
Total current liabilities	11,040,640	10,671,618
Noncurrent liabilities		
Long-term debt, less current maturities	14,100,243	15,697,820
Lease liabilities, less current maturities	532,017	595,666
Subscription IT liabilities, less current maturities	149,100	128,580
Accrued discretionary leave and benefits, less noncurrent portion	633,000	492,000
Other postemployment benefits liability	469,245	474,849
Net pension liability	33,896,947	32,778,317
Total noncurrent liabilities	49,780,552	50,167,232
Total liabilities	60,821,192	60,838,850
Deferred inflows of resources		
Pension and other postemployment benefits	466,767	586,320
Lease receivables	2,073,662	2,589,678
Total deferred inflows of resources	2,540,429	3,175,998
Net position		
Net investment in capital assets	11,407,423	9,667,111
Restricted		
For debt service	1,940,440	1,778,507
For capital purchases	15,685	
For specific operating activities	14,785	28,111
Unrestricted	(3,798,680)	(2,927,902)
Total net position	9,579,653	8,545,827
Total liabilities, deferred inflows of resources, and net position	$ 72,941,274	$ 72,560,675

Newman Memorial County Hospital d/b/a Newman Regional Health
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2024 and 2023

	2024	2023
Operating revenues		
Net patient service revenue	$ 87,241,708	$ 79,764,725
Other	3,827,632	3,225,218
Total operating revenues	91,069,340	82,989,943
Operating expenses		
Salaries and wages	41,795,221	39,632,092
Employee benefits	11,152,776	9,512,723
Actuarial adjustments for pension and OPEB expenses	2,186,855	2,342,278
Supplies and other expenses	34,030,197	32,007,367
Depreciation and amortization	3,656,909	3,703,979
Total operating expenses	92,821,958	87,198,439
Operating loss	(1,752,618)	(4,208,496)
Nonoperating revenues (expenses)		
Investment income	1,497,892	1,592,833
Interest expense	(549,264)	(593,990)
Noncapital grants and contributions	431,369	415,495
COVID-19 noncapital grants		11,499
Property taxes	500,000	375,000
Other	407	15,105
Total nonoperating revenues (expenses)	1,880,404	1,815,942
Excess of revenues over (under) expenses before capital grants and contributions	127,786	(2,392,554)
Capital grants and contributions	906,040	278,852
Change in net position	1,033,826	(2,113,702)
Net position at beginning of year		
As previously reported	9,189,827	11,218,529
Prior period adjustment for change in accounting principle	(644,000)	(559,000)
As restated	8,545,827	10,659,529
Net position, end of year	$ 9,579,653	$ 8,545,827

The accompanying notes are an integral part of these statements.

Newman Memorial County Hospital d/b/a Newman Regional Health
Statements of Cash Flows
Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 83,905,410	$ 80,114,925
Payments to or on behalf of employees	(52,732,034)	(48,334,616)
Payments to suppliers	(33,559,488)	(32,134,943)
Other receipts and payments	3,494,778	3,519,899
Net cash provided by operating activities	1,108,666	3,165,265
Cash flows from noncapital financing activities		
Noncapital grants and contributions	415,066	415,495
Property taxes	500,000	375,000
COVID-19 relief payments received		11,499
Interest paid on noncapital related debt	(3,653)	(7,977)
Principal paid on noncapital related debt	(71,918)	(67,594)
Net cash provided by noncapital financing activities	839,495	726,423
Cash flows from capital and related financing activities		
Purchase of capital assets	(3,688,371)	(2,156,748)
Grants and contributions for capital	906,040	259,852
Interest paid on subscription IT liabilities	(4,150)	(5,457)
Principal paid for subscription IT liabilities	(84,822)	(66,618)
Interest paid on lease liabilities	(25,558)	(33,437)
Principal paid for lease liabilities	(237,540)	(230,451)
Interest paid on long-term debt	(628,389)	(665,811)
Principal payments on long-term debt	(1,414,172)	(1,404,773)
Net cash used by capital and related financing activities	(5,176,962)	(4,303,443)
Cash flows from investing activities		
Change in assets held under bond indenture agreement	(172,774)	11,854
Other investing activities, net		141,634
Interest received	1,508,733	1,578,637
Net cash provided by investing activities	1,335,959	1,732,125
Change in cash and cash equivalents	(1,892,842)	1,320,370
Cash and cash equivalents at beginning of year	14,501,204	13,180,834
Cash and cash equivalents at end of year	$ 12,608,362	$ 14,501,204

The accompanying notes are an integral part of these statements.

Newman Memorial County Hospital d/b/a Newman Regional Health
Statements of Cash Flows - Continued
Years ended December 31, 2024 and 2023

	2024	2023
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 9,706,607	$ 14,501,204
Cash included in assets limited as to use Internally designated	2,901,755	
	$ 12,608,362	$ 14,501,204
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (1,752,618)	$ (4,208,496)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	3,656,909	3,703,979
Provision for bad debts	3,921,570	4,592,050
Changes in		
Patient accounts receivable	(4,757,195)	(5,846,843)
Inventories	(10,802)	(10,787)
Prepaid expenses	(517,360)	(50,290)
Other receivables	(1,613,234)	457,830
Accounts payable and accrued expenses	2,503,214	569,551
Estimated third-party payor settlements	(2,508,673)	1,615,993
Net pension and OPEB liability, deferred outflows related to pension and OPEB liabilities	2,186,855	2,342,278
Net cash provided by operating activities	$ 1,108,666	$ 3,165,265
Supplemental schedule of noncash investing and financing activities		
Noncash subscription IT obligations incurred	$ 162,450	$ -
Donated capital asset		19,000

The accompanying notes are an integral part of these statements.

Newman Memorial County Hospital d/b/a Newman Regional Health
Notes to Financial Statements
December 31, 2024 and 2023

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies

1. Reporting entity

Newman Memorial County Hospital d/b/a Newman Regional Health (the Hospital) is owned by Lyon County (the County), Kansas, and operated by the Board of Trustees, a nine-member governing board appointed by the governing body of the County. The Hospital, which was organized in 1919, is a not-for-profit general hospital located in Emporia, Kansas. The Hospital can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County. The Hospital is a component unit of Lyon County.

2. Use of estimates

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

3. Basis of accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

4. Cash and cash equivalents

Cash and cash equivalents include all cash and highly-liquid debt instruments with maturities of three months or less excluding any such amounts included in assets limited as to use under bond indenture agreements and held by trustee.

5. Allowance for doubtful accounts

The Hospital provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. The Hospital estimates this allowance based on the aging of its accounts receivable by type of payor.

6. Inventories

Inventories are stated at the lower of cost or net realizable value with cost determined on the first-in, first-out method.

7. Investments and investment income

Investments in debt and equity securities with readily determinable fair values are measured at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments are recognized as investment income when earned.

8. Assets limited as to use

Assets limited as to use include assets set aside by the Board of Trustees for replacement of capital assets or for purchase of additional capital assets, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets held by a trustee under bond indenture agreements. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued

9. Capital assets

Capital assets are stated at historical cost. Donated capital assets are recorded at acquisition value at the date of donation with acquisition value being determined as the cost to acquire an equivalent asset on the date of the donation. Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the assets which are substantially in conformity with useful lives established by the American Hospital Association.

Leased assets are recognized at the lease commencement date and represent the Hospital's right to use an underlying asset for the lease term. Leased assets are measured at the initial value of the lease liability at the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus any initial direct costs necessary to place the lease asset into service. Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method or the same method amortizing the debt.

Subscription assets are recognized at the subscription commencement date and represent the Hospital's right to use an underlying IT asset for the subscription term. Subscription assets are measured at the initial value of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method or the same method amortizing the debt.

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties.

10. Lease receivables

Lease receivables are recorded by the Hospital as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future payments to be received are discounted based on the interest rate determined at the time of the lease.

11. Discretionary leave

Employees are entitled to paid vacation depending on length of service and whether they are full-time or part-time. Upon retirement, resignation, or termination from service, employees are entitled to payment for all accrued vacation, up to an allowable maximum. Vacation benefits are accrued as earned.

Employees are also entitled to extended illness benefits depending on whether they are full-time or part-time. Upon retirement, resignation, or termination from service, employees are not entitled to payment for accrued extended illness. The Hospital accrues an estimate of vested extended illness benefits that are expected to be used based on historical usage.

12. Accrued health insurance claims

The Hospital is partially self-insured for health insurance claims of its employees (Note K). Management estimates the net liability for reported and unreported claims incurred as of the end of each reporting period. The estimate is based on known claims and historical claims experience. Although management believes the estimate for accrued health insurance claims is reasonable, it is possible that actual incurred claims expense may vary significantly from the estimate recorded.

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued

13. Deferred outflows and inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

14. Pension and Other Post Employee Benefit (OPEB) plans

The Hospital participates in the Kansas Public Employees Retirement System Plan (KPERS), a cost-sharing multiple-employer defined benefit pension plan. The Hospital also provides long-term disability benefits to its employees through KPERS. The Hospital utilizes information provided by KPERS to measure the net pension and OPEB liability, deferred outflows, and deferred inflows of resources related to the benefits provided through the KPERS plan.

15. Net position

The net position of the Hospital is classified into three components. "Net investment in capital assets" consists of net capital assets reduced by the current balances of outstanding borrowings used to finance the purchase or construction of those assets. "Restricted net position" is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures. "Unrestricted net position" is remaining net position that does not meet the definition of "net investment in capital assets" or "restricted."

16. Operating revenues and expenses

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

17. Grants and contributions

From time to time, the Hospital will receive grants and contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

18. Property taxes

The County allocates a portion of the property tax receipts to support Hospital operations. The taxes are levied in November of each year with the Hospital receiving funds on a quarterly basis from the County. The property tax revenue is recognized in full the year following the year the taxes were levied which is the year in which use is first permitted.

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued

19. Income taxes

The Hospital is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

20. Charity care

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

21. Adoption of accounting pronouncements

Effective January 1, 2023, the Medical Center adopted GASB 100, *Accounting Changes and Error Corrections*. GASB 100 provides enhanced accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information. It also addresses the impact of accounting changes and error corrections on required and other supplementary information. GASB 100 requires disclosures for accounting changes and error corrections to include descriptive information about accounting changes and error corrections and information about the quantitative effects on beginning balances from accounting changes and error corrections.

Effective January 1, 2023, the Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, which establishes how to account for and report on compensated absences.

GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services the employee already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, an entity should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

GASB 101 requires a retrospective application as of the beginning of the earliest period presented (i.e., January 1, 2023). Comparative prior year financial statements have been adjusted to apply this standard retrospectively, which resulted in a beginning net position adjustment of $644,000. See Note T for amounts restated.

22. Subsequent events

The Hospital has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

Note B - Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established charge rates. The amounts reported on the statement of net position as estimated third-party payor settlements consist of management's best estimate of the differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is a critical access hospital for purposes of the Medicare program and is paid for inpatient acute care, skilled swing-bed, rural health clinic (RHC), and certain outpatient services under various cost reimbursement methodologies. Inpatient rehab, hospice, and physician services, other than RHC services, are prospectively reimbursed based on prospectively determined rates. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2021.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. RHC services rendered to Medicaid beneficiaries are paid at a prospectively determined rate per occasion of service. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis and are not subject to retroactive adjustment.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross and Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

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

A summary of Hospital gross and net patient service revenue is as follows:

	2024	2023
Gross patient service revenue	$157,915,340	$148,886,196
Deductions from patient service revenue		
Third-party contractual adjustments	(65,094,417)	(62,458,515)
Medicaid DSH payments	1,830,646	1,339,650
Provision for bad debts	(3,921,570)	(4,592,050)
Charity care	(2,196,969)	(1,981,364)
Uninsured discounts	(1,215,938)	(1,376,215)
Other discounts and allowances	(75,384)	(52,977)
Net patient service revenue	$ 87,241,708	$ 79,764,725

Note B - Net Patient Service Revenue - Continued

Revenue from the Medicare and Medicaid programs accounted for approximately 46 percent and 10 percent, respectively, of the Hospital's net patient revenue during 2024, and 49 percent and 9 percent, respectively, of the Hospital's net patient revenue during 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation.

The Hospital estimates that the cost of providing charity care, based on overall cost-to-charge ratios obtained from its Medicare cost reports, was $1,183,000 and $1,058,000 for 2024 and 2023, respectively.

Note C - Assets Limited as to Use

Assets limited as to use internally designated are invested in a bank and are designated for future capital expenditures.

Assets limited as to use by bond indenture agreements are held by a trustee and are stated at fair value. These assets are related to the revenue bond issue and consist of the following:

	2024	2023
Principal and interest sinking fund	$ 383,310	$ 182,978
Interest receivable	7,508	12,502
Bond reserve fund	1,549,621	1,583,026
	$ 1,940,439	$ 1,778,506

Assets are invested by the trustee as follows:

	2024	2023
Cash	$ 285,871	$ 182,328
Money Market Treasury fund	116,591	650
U.S. Government and Agency obligations at fair value	1,530,469	1,583,026
Interest receivable	7,508	12,502
	$ 1,940,439	$ 1,778,506

The bond reserve funds are available for bond principal and interest payments to prevent any default in the payment of principal or interest of the respective bonds or, if not so required, may be used to make the final payments of bond principal and interest.

Note D - Lease Receivables

The Hospital leases a portion of its medical office building to other health care providers. The Hospital uses its incremental borrowing rate at the time of lease inception to discount lease payments. The lease agreements include renewal options and the Hospital has assessed these renewal options to determine the likelihood of the options being exercised. All renewal options that the Hospital believes are reasonably certain to be exercised are included in the lease term. At December 31, 2024 and 2023, the Hospital has recognized leased receivables and deferred inflows of resources of $2,073,662 and $2,589,678, respectively.

Note D - Lease Receivables - Continued

Income from these leases consisted of the following:

	2024	2023
Rent	$ 453,758	$ 441,915
Investment income (included in other operating revenue)	81,717	93,349
	$ 535,475	$ 535,264

Future minimum lease payments receivable under the lease agreements are as follows:

	Principal	Interest	Total
2025	$ 454,892	$ 69,698	$ 524,590
2026	478,911	57,081	535,992
2027	142,771	46,839	189,610
2028	77,454	43,284	120,738
2029	81,012	39,726	120,738
2030 - 2034	479,784	138,614	618,398
2035 - 2037	358,838	25,437	384,275
	$ 2,073,662	$ 420,679	$ 2,494,341

Note E - Capital Assets

	Balance December 31, 2023	Transfers and additions	Retirements	Balance December 31, 2024
Capital assets not being depreciated				
Land	$ 1,308,632	$ -	$ -	$ 1,308,632
Projects in progress	524,426	(435,321)		89,105
Total capital assets not being depreciated	1,833,058	(435,321)	-	1,397,737
Capital assets being depreciated				
Land improvements	897,717	200,746		1,098,463
Buildings and fixed equipment	74,007,632	1,624,362	383,346	75,248,648
Future expansion and rental property	1,096,506			1,096,506
Leasehold improvements	293,627			293,627
Major movable equipment	24,569,524	2,303,354	2,236,720	24,636,158
Intangibles	13,857		13,857	
Total capital assets being depreciated	100,878,863	4,128,462	2,633,923	102,373,402
Less accumulated depreciation for				
Land improvements	691,787	18,888		710,675
Buildings and fixed equipment	56,185,029	1,651,530	383,313	57,453,246
Future expansion and rental property	201,748	30,768		232,516
Leasehold improvements	187,286	28,281		215,567
Major movable equipment	18,684,170	1,611,542	2,087,319	18,208,393
Intangibles	13,819	38	13,857	
Total accumulated depreciation	75,963,839	3,341,047	2,484,489	76,820,397
Total capital assets being depreciated, net	24,915,024	787,415	149,434	25,553,005
Leased assets being amortized				
Buildings	728,001			728,001
Major movable equipment	959,975		58,233	901,742
Total leased assets being amortized	1,687,976	-	58,233	1,629,743
Less accumulated amortization				
Buildings	248,734	36,400		285,134
Major movable equipment	614,598	197,210	58,233	753,575
Total accumulated amortization	863,332	233,610	58,233	1,038,709
Total leased assets being amortized	$ 824,644	$ (233,610)	$ -	$ 591,034

Note E - Capital Assets - Continued

	Balance December 31, 2023	Transfers and additions	Retirements	Balance December 31, 2024
Subscription IT assets being amortized				
Subscription IT assets	$ 337,783	$ 162,450	$ -	$ 500,233
Less accumulated amortization	129,373	82,252		211,625
Total subscription IT assets being amortized	208,410	80,198	-	288,608
Capital assets, net	$ 27,781,136	$ 198,682	$ 149,434	$ 27,830,384

	Balance December 31, 2022	Transfers and additions	Retirements	Balance December 31, 2023
Capital assets not being depreciated				
Land	$ 1,308,632	$ -	$ -	$ 1,308,632
Projects in progress	436,543	87,883		524,426
Total capital assets not being depreciated	1,745,175	87,883	-	1,833,058
Capital assets being depreciated				
Land improvements	869,285	28,432		897,717
Buildings and fixed equipment	73,576,686	518,582	87,636	74,007,632
Future expansion and rental property	1,096,506			1,096,506
Leasehold improvements	293,627			293,627
Major movable equipment	24,968,211	1,555,956	1,954,643	24,569,524
Intangibles	13,857			13,857
Total capital assets being depreciated	100,818,172	2,102,970	2,042,279	100,878,863
Less accumulated depreciation				
Land improvements	673,673	18,114		691,787
Buildings and fixed equipment	54,485,854	1,786,811	87,636	56,185,029
Future expansion and rental property	170,980	30,768		201,748
Leasehold improvements	159,005	28,281		187,286
Major movable equipment	19,103,126	1,535,687	1,954,643	18,684,170
Intangibles	13,819			13,819
Total accumulated depreciation	74,606,457	3,399,661	2,042,279	75,963,839
Total capital assets being depreciated, net	26,211,715	(1,296,691)	-	24,915,024

Note E - Capital Assets - Continued

	Balance December 31, 2022	Transfers and additions	Retirements	Balance December 31, 2023
Leased assets being amortized				
Buildings	$ 728,001	$ -	$ -	$ 728,001
Major movable equipment	959,975			959,975
Total leased assets being amortized	1,687,976	-	-	1,687,976
Less accumulated amortization				
Buildings	212,334	36,400		248,734
Major movable equipment	415,050	199,548		614,598
Total accumulated amortization	627,384	235,948	-	863,332
Total leased assets being amortized	1,060,592	(235,948)	-	824,644
Subscription IT assets being amortized				
Subscription IT assets	378,496		40,713	337,783
Less accumulated amortization	101,716	68,370	40,713	129,373
Total subscription IT assets being amortized	276,780	(68,370)	-	208,410
Capital assets, net	$ 29,294,262	$ (1,513,126)	$ -	$ 27,781,136

Note F - Long-term Debt

Long-term debt consists of the following:

	2024	2023
Lyon County, Kansas Public Building Commission, Newman Memorial County Hospital Refunding Revenue Bonds, Series 2016-A, issued October 31, 2016, in the original amount of $19,970,000, 3.00% to 5.00% bonds due serially through December 1, 2036	$ 13,700,000	$ 14,575,000
Net unamortized premium on bonds	698,131	815,111
2.20% debt obligation to bank entered into April 8, 2022, in the original amount of $2,700,000, payable in equal monthly installments of $47,601, including interest through February 2027, collateralized by robotics equipment	1,163,278	1,702,450
5.55% debt obligation to equipment vendor entered into March 1, 2020, in the original amount of $329,200, payable in equal monthly installments of $6,298, including interest through March 1, 2025, uncollateralized	19,442	91,360
	15,580,851	17,183,921
Less current maturities of long-term debt	(1,480,608)	(1,486,101)
Long-term debt, net of current maturities	$ 14,100,243	$ 15,697,820

The following is a summary of changes in long-term debt:

	Hospital revenue bonds	Other debt obligations	Total
Outstanding at January 1, 2023	$ 15,425,000	$ 2,416,177	$ 17,841,177
Principal payments	(850,000)	(622,367)	(1,472,367)
Outstanding at December 31, 2023	14,575,000	1,793,810	16,368,810
Principal payments	(875,000)	(611,090)	(1,486,090)
Outstanding at December 31, 2024	$ 13,700,000	$ 1,182,720	$ 14,882,720

Note F - Long-term Debt - Continued

Annual debt service requirements on long-term debt are as follows:

	Principal	Interest	Total
2025	$ 1,480,608	$ 581,564	$ 2,062,172
2026	1,513,415	532,212	2,045,627
2027	1,033,697	487,040	1,520,737
2028	1,025,000	447,550	1,472,550
2029	1,065,000	406,550	1,471,550
2030 - 2034	6,030,000	1,334,300	7,364,300
2035 - 2036	2,735,000	206,750	2,941,750
	$ 14,882,720	$ 3,995,966	$ 18,878,686

On October 31, 2016, the Lyon County Public Building Commission (PBC) issued $19,970,000 in Revenue Bonds, Series 2016-A, on behalf of the Hospital. The proceeds of these bonds were used to advance refund $7,795,000 of the Series 2010-A bonds and fund an emergency room renovation and expansion. The proceeds from this issue were (1) used to advance refund the Series 2010-A bonds on December 1, 2018, and (2) pay certain costs related to the issuance of the 2016-A bonds, and (3) fund certain renovations to the Hospital facility.

The PBC is a municipal corporation created by the County to issue the bonds. In connection with the issuance of the bonds, the PBC, the County, and the Hospital entered into a lease agreement in which the PBC leased the Project to the County and the Hospital for rental payments sufficient to provide for the payment of principal and interest on the bonds. The lease contains a covenant by the County to make all rental payments required under the lease from whatever sources of revenues are legally available and to levy ad valorem taxes without limit if necessary to make payments.

In connection with the issuance of the bonds, the Hospital and the County entered into a pledge of revenues and operating agreement. Under the agreement, the Hospital pledged its net revenues to the County to secure the payment of principal and interest on the bonds. The pledge of revenues agreement requires the Hospital to set aside certain amounts monthly sufficient to pay principal and interest on the bonds as payments are due. The agreement also contains certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, maintenance of reserve funds, days cash on hand, and debt service coverage ratio.

Note G - Lease Liabilities

Lease liabilities are summarized as follows:

	2024	2023
Right-of-use lease liability; implied interest rate of 3.74%; paid off in 2024	$ -	$ 442
Right-of-use lease liability; stated interest rate of 3.65%; payable in monthly installments of $16,403 through March 15, 2025	36,465	228,160
Right-of-use lease liability; implied interest rate of 3.25%; paid off in 2024		20,044
Right-of-use lease liability; implied interest rate of 3.50%; payable in monthly installments ranging $3,578 to $5,405 through March 1, 2037	559,201	584,560
	595,666	833,206
Less current maturities of right-of-use liabilities	(63,649)	(237,540)
Right-of-use liabilities, net of current maturities	$ 532,017	$ 595,666

The following is a summary of changes in right-of-use lease liabilities:

	Right-of-use lease liabilities
Outstanding at January 1, 2023	$ 1,063,657
Principal payments	(230,451)
Outstanding at December 31, 2023	833,206
Principal payments	(237,540)
Outstanding at December 31, 2024	$ 595,666

Note G - Lease Liabilities - Continued

Scheduled lease liability payments for the year ended December 31, 2024, are as follows:

	Principal	Interest	Total
2025	$ 63,649	$ 19,325	$ 82,974
2026	29,092	18,159	47,251
2027	36,084	17,044	53,128
2028	39,464	15,713	55,177
2029	41,988	14,292	56,280
2030 - 2034	251,904	46,838	298,742
2035 - 2037	133,485	5,352	138,837
	$ 595,666	$ 136,723	$ 732,389

Note H - Subscription IT Liabilities

Subscription IT liabilities are summarized as follows:

	2024	2023
Subscription IT lease liability; implied interest rate of 2.20%; payable in monthly installments ranging $28,906 to $28,917 through January 1, 2025	$ 28,293	$ 55,978
Subscription IT lease liability; implied interest rate of 5.04%; payable in monthly installments of $31,050 through January 1 ,2027	90,656	
Subscription IT lease liability; implied interest rate of 2.20%; payable in monthly installments ranging $31,984 to $34,911 through September 1, 2027	100,287	132,280
Subscription IT lease liability; implied interest rate of 5.04%; payable in monthly installments of $25,145 through January 31, 2026	46,650	
	265,886	188,258
Less current maturities of subscription IT liabilities	(116,786)	(59,678)
Subscription IT liabilities, net of current maturities	$ 149,100	$ 128,580

Note H - Subscription IT Liabilities - Continued

The following is a summary of changes in subscription IT liabilities:

	Subscription IT liabilities
Outstanding at January 1, 2023	$ 254,876
Principal payments	(66,618)
Outstanding at December 31, 2023	188,258
Additions	162,450
Principal payments	(84,822)
Outstanding at December 31, 2024	$ 265,886

Scheduled subscription IT liability payments are as follows:

	Principal	Interest	Total
2025	$ 116,786	$ 5,237	$ 122,023
2026	85,414	5,692	91,106
2027	63,686	2,275	65,961
	$ 265,886	$ 13,204	$ 279,090

Note I - Defined Benefit Pension Plan

Plan description

The Hospital participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Substantially all employees of the Hospital are eligible to participate in KPERS. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits.

Kansas law establishes and amends benefit provisions. Substantially all public employees in Kansas are covered by KPERS. Participation by local political subdivisions and entities is optional, but irrevocable once elected. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Benefits

Benefits are established by statute and may only be changed by the Kansas Legislature. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points".

Note I - Defined Benefit Pension Plan - Continued

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members may choose one of seven payment options for their monthly retirement benefits. At retirement, a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three statewide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

KPERS has three benefit structures and funding depending on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members were hired before July 1, 2009, Tier 2 members were first employed on or after July 1, 2009, and Tier 3 members were first employed on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 6 percent of covered salary for all members for 2024 and 2023, respectively. The employer rates established by statute at December 31, 2024 and 2023, are 9.26 percent and 8.43 percent, respectively.

The Hospital employer contributions to KPERS for the years ended December 31, 2024 and 2023, were $3,637,410 and $2,979,550, respectively, equal to the statutory required contributions for each year.

Employer and Nonemployer Allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

Note I - Defined Benefit Pension Plan - Continued

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The Hospital is included in the local group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the Hospital's share of the collective pension amounts as of December 31, 2024 and 2023, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the years ended June 30, 2024 and 2023, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of December 31, 2024, the Hospital's proportion was 1.596 percent which was an increase of .033 percent from its share at December 31, 2023.

Net pension liability

At December 31, 2024 and 2023, the Hospital reported a liability of $33,896,947 and $32,778,317, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability was determined by actuarial valuations as of December 31, 2023 and 2022, which were then rolled forward to June 30, 2024 and 2023, using the following actuarial assumptions:

Actuarial assumptions	2023	2022
Price inflation	2.75%	2.75%
Salary increases, including wage increases	3.50% - 15.50%	3.50% - 12.00%
Long-term rate of return net of investment expense and including price inflation	7.00%	7.00%

For 2023 and 2022, mortality rates were based on the PUB 2010 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2021.

Note I - Defined Benefit Pension Plan - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2024, are summarized in the following table:

Asset class	Long-term target allocation	Long-term expected real rate of return
U.S. and International equities	43.00 %	8.20 %
Core fixed income	13.00	2.20
Yield driven	12.00	5.30
Infrastructure	3.00	6.80
Real return	15.00	5.70
Alternatives	11.00	12.00
Short-term investments	3.00	0.30
Total	100.00 %	

Discount Rate

The discount rates used to measure the total pension liability at the measurement date for both 2024 and 2023 was 7.00 percent. The actuarial assumptions used in the calculation of the total pension liability were based on the results of the most recent actuarial experience study.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the pension plan as of June 30, 2024, calculated using the discount rate of 7.00 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Hospital's share of net pension liability	$ 49,073,508	$ 33,896,947	$ 21,213,486

Pension Expense

For the years ended December 31, 2024 and 2023, the Hospital recognized pension expense of $5,822,566 and $5,453,875, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Note I - Defined Benefit Pension Plan - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the collective deferred outflows of resources and deferred inflows of resources at December 31, 2024 and 2023, are included in the tables below. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

	2024	2023
Deferred outflows of resources		
Differences between expected and actual experience	$ 4,123,342	$ 2,724,821
Changes of assumptions	2,048,893	3,474,045
Net difference between projected and actual earnings on pension plan investments	207,662	1,914,435
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	823,068	614,713
Employer contributions subsequent to the measurement date	1,818,784	1,448,199
Total deferred outflows of resources	$ 9,021,749	$ 10,176,213
Deferred inflows of resources		
Differences between expected and actual experience	$ -	$ 4,616
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	9,941	93,263
Total deferred inflows of resources	$ 9,941	$ 97,879

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2024, that will be recognized in pension expense in future years:

Year ended December 31,	Employer contributions subsequent to the measurement date	Recognition of net deferred outflows/(inflows) of resources by year	Total
2025	$ 1,818,784	$ 2,139,531	$ 3,958,315
2026		3,799,849	3,799,849
2027		956,613	956,613
2028		297,031	297,031
	$ 1,818,784	$ 7,193,024	$ 9,011,808

Note J - Other Postemployment Benefit Plan

Plan description and benefits provided

The Kansas Public Employees Retirement System (KPERS) sponsors a long-term disability program for participating employers (the Plan). Participating employers pay the cost of the long-term disability and life insurance coverage for their members as provided by K.S.A. 74-04927. The Hospital is considered to be participating in a single employer long-term disability plan. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than postemployment benefits (OPEB), the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which includes Social Security primary disability or retirement benefits, workers' compensation benefits, other disability benefits from other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

The death benefit paid to beneficiaries of disabled members is 150 percent of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the member's previous 12 months of compensation at the time of the past date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100 percent of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered employees

The Hospital has the following employees covered by the Plan as of December 31:

	2024	2023
Inactive employees or beneficiaries currently receiving benefit payments	6	6
Active employees	478	463
Total	484	469

Note J - Other Postemployment Benefit Plan - Continued

Total OPEB liability

At December 31, 2024 and 2023, the Hospital reported a total OPEB liability of $469,245 and $474,849, respectively.

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations as of December 31, 2023 and 2022, which were then rolled forward to June 30, 2024 and 2023, using the following actuarial assumptions:

Actuarial assumptions	2023	2022
Price inflation	2.75%	2.75%
Wage inflation	3.00%	3.00%
Salary increases, including wage increases	3.50% - 10.30%	3.50% - 10.00%
Discount rate	3.93%	3.65%

In 2023 and 2022, mortality rates used for the death benefits were based on the RP-2014 Mortality Tables. Future mortality improvements were projected using Scales MP-2021. Mortality rates used for disability benefits were included in long-term disability claim termination rates.

The actuarial assumptions used in the December 31, 2023 and 2022 valuations were based on the results of the latest actuarial experience study conducted.

Changes in the total OPEB liability

	June 30, 2024	June 30, 2023
Liability at beginning of period	$ 474,849	$ 535,541
Changes for the year		
Service cost	73,316	69,677
Interest	19,164	19,478
Changes of economic/demographic gains or losses	(51,710)	(36,954)
Changes in assumptions or other inputs	306	(1,922)
Benefit payments	(46,680)	(110,971)
Net change in liability	(5,604)	(60,692)
Liability at end of period	$ 469,245	$ 474,849

Note J - Other Postemployment Benefit Plan - Continued

Sensitivity of the OPEB liability to changes in the discount rate

The following table presents the total OPEB liability as of June 30, 2024, calculated using the discount rate of 3.93 percent, as well as what the OPEB's liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current rate:

	1% decrease (2.93%)	Current discount rate (3.93%)	1% increase (4.93%)
Total OPEB liability	$ 486,732	$ 469,245	$ 450,367

OPEB expense

For the years ended December 31, 2024 and 2023, the Hospital recognized OPEB expense of $16,233 and $17,978, respectively, which includes the changes in the total OPEB liability and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred outflows of resources and deferred inflows of resources

A summary of the collective deferred outflows of resources and deferred inflows of resources related to the OPEB plan at December 31, 2024 and 2023, are included in the tables below.

	2024	2023
Deferred outflows of resources		
Differences between actual and expected experience	$ 8,544	$ 10,835
Changes in assumptions	22,404	26,885
Benefit payments subsequent to the measurement date	23,340	55,486
Total deferred outflows of resources	$ 54,288	$ 93,206
Deferred inflows of resources		
Differences between expected and actual experience	$ 365,855	$ 381,995
Changes of assumptions	90,971	106,446
Total deferred inflows of resources	$ 456,826	$ 488,441

Note J - Other Postemployment Benefit Plan - Continued

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2024, that will be recognized in OPEB expense in future years:

Year ended December 31,	Benefit payments subsequent to the measurement date	Recognition of net deferred outflows/(inflows) of resources by year	Total
2025	$ 23,340	$ (76,247)	$ (52,907)
2026		(75,363)	(75,363)
2027		(66,381)	(66,381)
2028		(51,479)	(51,479)
2029		(52,913)	(52,913)
Thereafter		(103,495)	(103,495)
	$ 23,340	$ (425,878)	$ (402,538)

Note K - Employee Health Insurance Claims

The Hospital is partially self-insured for health insurance claims of its employees. The Hospital has reinsured a portion of its risk for such claims. The reinsurance arrangement covers annual claims in excess of $130,000 for each covered individual after the aggregating specific deductible of $150,000 is met. At December 31, 2024, the Hospital had approximately $1,340,000 reinsurance receivable, which is included in other receivables. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. The Hospital has retained an insurance company as its agent to process and settle claims. The Hospital reimburses the agent weekly for the amount of claims paid by the agent net of any amounts covered by reinsurance.

The following is a summary of the activity under this arrangement:

	2024	2023
Estimated employee health insurance claims payable at beginning of period	$ 370,211	$ 318,000
Provision for employer's share of incurred claims expenses for the period	4,347,973	3,334,996
Employee contributions	1,296,534	1,306,205
Payments made for claims, expenses, and reinsurance	(4,537,784)	(4,588,990)
Estimated employee health insurance claims payable at end of period	$ 1,476,934	$ 370,211

The Hospital has also recorded a receivable for reinsurance recoveries totaling $1,340,460 included in other receivables at December 31, 2024.

Note L - Accrued Discretionary Leave

The Hospital offers paid vacation to eligible employees depending on length of service and whether they are full-time or part-time. Upon retirement, resignation, or termination from service, employees are entitled to payment for all accrued vacation, up to an allowable maximum. Vacation benefits are accrued as earned.

The Hospital also offers compensated absences to eligible employees in the form of extended illness benefits. Extended illness benefits vest to the employee, but any unused vested benefits unused by employees are not paid out when the employee terminates employment. The extended illness benefits can only be used for a medical condition of the employee. The Hospital estimates a liability for the vested portion of extended illness benefits that is probable to being used by employees based on historical usage activity.

Accrued discretionary leave consists of the following:

	2024	2023
Accrued discretionary leave	$ 3,345,562	$ 2,998,110
Less current portion	(2,712,562)	(2,506,110)
Noncurrent portion	$ 633,000	$ 492,000

The following is a summary of the accrued discretionary leave activity for the years ended December 31, 2024 and 2023:

Accrued discretionary leave at January 1, 2023	$ 2,664,824
Net change in accrued liability	333,286
Accrued discretionary leave at December 31, 2023	2,998,110
Net change in accrued liability	347,452
Accrued discretionary leave at December 31, 2024	$ 3,345,562

Note M - Interest Expense

Total interest costs incurred are as follows:

	2024	2023
Total interest incurred	$ 658,833	$ 710,558
Amortization of bond premium	(116,980)	(124,452)
Amortization of prepaid bond insurance	7,411	7,884
Interest expense	$ 549,264	$ 593,990

Note N - Deposits with Financial Institutions

Custodial credit risk is the risk that in an event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy of custodial credit risk requires compliance with the provisions of State law. In addition, the Hospital maintains its cash in banks which are insured by the Federal Deposit Insurance Corporation (F.D.I.C.).

Kansas statutes authorize the Hospital, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury bills and notes, and the State Treasurer's investment pool. Statutes also require that financial institutions pledge securities with a market value equal to total deposits in excess of F.D.I.C. coverage at any given time and the securities pledged be deposited with a Kansas state or national bank or trust company, the Federal Reserve Bank, or the Federal Home Loan Bank.

The carrying amount of the Hospital's deposits with financial institutions was $12,602,792 and the bank balance was $13,550,001 at December 31, 2024.

The bank balance is categorized as follows:

Amount insured by the F.D.I.C., bank deposit guaranty bond, or collateralized with securities held by the Hospital in its name	$ 250,000
Uncollateralized (collateralized with securities held in safekeeping under joint custody receipt by an authorized depository other than the pledging financial institution's trust department, but not in the Hospital's name)	13,300,001
	$ 13,550,001

Note O - Concentration of Credit Risk

The Hospital is located in Emporia, Kansas. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	2024	2023
Medicare	32 %	34 %
Medicaid	9	10
Blue Cross	13	15
Commercial insurance	20	19
Self-pay	26	22
	100 %	100 %

Note P - Risk Management

The Hospital is insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $500,000 per occurrence up to an annual aggregate of $1,500,000 for all claims made during the policy year. The Hospital is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $500,000 pursuant to any one judgment or settlement against the Hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $1,500,000. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of $7,000,000 per occurrence with an aggregate amount in any policy year of $7,000,000. All coverage is on a claims-made basis. The above policies were renewed in January 2025 for the policy period from January 1, 2025 to January 1, 2026.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note Q - Receivables Sold with Recourse

The Hospital has an agreement with a local financial institution under which it sells the Hospital's interest in certain self-pay accounts receivable. Sales under this agreement in 2024 and 2023 amounted to approximately $78,000 and $83,000, respectively. At December 31, 2024 and 2023, approximately $158,000 and $194,000 of such receivables remained uncollected. The receivables are sold with full recourse, and the Hospital is contingently liable for any uncollected amounts. The Hospital has recorded a liability for receivables sold at December 31, 2024 and 2023, of $44,000 and $36,000, respectively.

Note R - Fair Value Measurements

The Hospital categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are unadjusted quoted prices for identical assets in active markets. Level 2 inputs are significant other observable inputs. Level 3 inputs are unobservable, supported by little or no market activity.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Money market treasury fund is valued at unadjusted quoted prices for identical securities in active markets (Level 1 inputs).

U.S. Government and Agency bonds are valued at prices provided by independent pricing services (Level 2 inputs).

The Hospital has the following recurring fair value measurements at December 31, 2024 and 2023, included under the caption of Assets Limited as to Use under bond indenture agreements held by trustee:

Money Market Treasury Fund of $116,591 and $650, respectively, are valued at unadjusted quoted prices (Level 1).

U.S. Government and Agency obligations of $1,530,469 and $1,583,026, respectively, are valued at prices provided by independent pricing services to the trustee (Level 2).

Note S - Assets Held in Community Foundation Custodian Account

On December 26, 2019, the Newman Hospital Regional Foundation (Foundation) entered into an agreement to transfer all of its cash and investments to the Emporia Community Foundation (ECF) which were used to establish a field of interest fund titled Newman Regional Health Fund (Fund). The Foundation was subsequently dissolved. An Advisory committee was established with the creation of the Fund that may recommend disbursements up to the value of the Fund for projects and programs within the scope of the Fund and donors. The market value of the assets held by ECF and held in a custodian account on behalf of the Hospital was $6,242,740 and $6,438,155 as of December 31, 2024 and 2023, respectively. During the years ended December 31, 2024 and 2023, the Hospital received contributions totaling $810,458 and $112,509. These amounts are reported in noncapital and capital grants and contributions.

The assets related to this agreement are not included in the accompanying financial statements as the agreement grants variance power over the funds to the ECF.

Note T - Adoption of New Accounting Standard

Effective January 1, 2023, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, which establishes how to account for and report on compensated absences. GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services the employee already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Beginning net position was restated to retroactively adopt the provisions of GASB No. 101 as follows:

	Amount as previously reported	Change in Accounting Principle	Amount as restated
Statement of Net Position			
Liabilities, deferred inflows of resources, and net position			
Accrued salaries, discretionary leave, and benefits	$ 4,785,035	$ 152,000	$ 4,937,035
Total current liabilities	10,519,618	152,000	10,671,618
Accrued salaries, discretionary leave, and benefits, noncurrent portion		492,000	492,000
Total liabilities	60,194,850	644,000	60,838,850
Unrestricted net position	(2,283,902)	(644,000)	(2,927,902)
Total net position	9,189,827	(644,000)	8,545,827
Total liabilities, deferred inflows of resources, and net position	72,560,675	-	72,560,675
Statement of Revenues, Expenses, and Changes in Net Position			
Salaries and wages	$ 39,547,092	$ 85,000	$ 39,632,092
Total operating expenses	87,113,439	85,000	87,198,439
Operating loss	(4,123,496)	(85,000)	(4,208,496)
Excess of expenses over revenues before capital grants and contributions	(2,307,554)	(85,000)	(2,392,554)
Change in net position	(2,028,702)	(85,000)	(2,113,702)
Net position, beginning of year	11,218,529	(559,000)	10,659,529
Net position, end of year	9,189,827	(644,000)	8,545,827

Note T - Adoption of New Accounting Standard - Continued

	Amount as previously reported	Change in Accounting Principle	Amount as restated
Statement of Cash Flows			
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	$ (4,123,496)	(85,000)	$ (4,208,496)
Changes in			
Accounts payable and accrued expenses	484,551	85,000	569,551

Note U - Commitments and Subsequent Events

The Hospital recognizes the need to support nursing education by the Emporia State University School of Nursing (ESU SON) and has pledged financial support over a 10-year period. As of December 31, 2024, the Hospital had a $450,000 remaining financial commitment to ESU SON. At December 31, 2024, the Hospital has committed to the purchase of equipment for approximately $1.1 million.

Subsequent to year-end the Hospital has committed to purchase approximately $2.2M of equipment. The Hospital has also entered into two agreements in February and March 2025 with a newly formed not-for-profit corporation, Community Healthcare Collective, Inc. (CHC), which was formed to expand access to essential health services in the same areas served by the Hospital. The Executive Director of CHC is a current employee of Newman Regional Health. On February 13, 2025, the Hospital entered into a promissory note (credit facility) for which the Hospital has agreed to provide up to $2 million dollars to CHC at a 0 percent interest rate. CHC has drawn approximately $1.9 million of this credit facility as of the report date. The credit facility will remain in effect for a period of 10 years and is to be secured by all personal property purchased with proceeds from the loan. The Hospital has also entered into a facility subscription agreement for services to be provided through CHC's online transactional marketplace.

Required Supplementary Information

Newman Memorial County Hospital d/b/a Newman Regional Health
Schedule of the Hospital's Proportionate Share of the
Net Defined Pension Plan Liability

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Hospital's proportion of the net pension liability	1.5957%	1.5624%	1.5468%	1.5179%	1.4850%	1.5163%	1.5180%	1.4379%	1.4021%	1.3113%
Hospital's proportionate share of the net pension liability	$ 33,896,947	$ 32,778,317	$ 30,751,865	$ 18,214,327	$ 25,745,143	$ 21,188,245	$ 21,158,290	$ 20,827,835	$ 21,690,948	$ 17,217,737
Hospital's covered employee payroll	39,280,886	35,344,603	32,558,258	30,224,036	28,723,995	28,154,432	27,809,631	26,441,702	23,875,340	22,679,072
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	86.29%	92.74%	94.45%	60.26%	89.63%	75.26%	76.08%	78.77%	90.85%	75.92%
Plan fiduciary net position as a percentage of the total pension liability	71.71%	70.55%	70.66%	81.14%	70.77%	75.02%	74.22%	72.15%	68.55%	71.98%

Newman Memorial County Hospital d/b/a Newman Regional Health
Schedule of Hospital Contributions to Defined Pension Plan

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 3,637,410	$ 2,979,550	$ 2,897,685	$ 2,680,872	$ 2,473,136	$ 2,502,929	$ 2,333,228	$ 2,236,968	$ 2,188,919	$ 2,225,967
Contributions in relation to the contractually required contribution	(3,637,410)	(2,979,550)	(2,897,685)	(2,680,872)	(2,473,136)	(2,502,929)	(2,333,228)	(2,236,968)	(2,188,919)	(2,225,967)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	$ 39,280,886	$ 35,344,603	$ 32,558,258	$ 30,224,036	$ 28,723,995	$ 28,154,432	$ 27,809,631	$ 26,441,702	$ 23,875,340	$ 22,679,072
Contributions as a percentage of covered-employee payroll	9.26%	8.43%	8.90%	8.87%	8.61%	8.89%	8.39%	8.46%	9.17%	9.82%

Newman Memorial County Hospital d/b/a Newman Regional Health
Schedule of Changes in the Hospital's
Total OPEB Liability and Related Ratios
June 30,

	2024	2023	2022	2021	2020	2019	2018	2017
Service cost	$ 73,316	$ 69,677	$ 113,713	$ 107,603	$ 100,722	$ 96,894	$ 95,704	$ 93,936
Interest on total OPEB liability	19,164	19,478	19,022	18,994	31,339	31,453	35,035	27,344
Effect of economic/demographic gains or losses	(51,710)	(36,954)	(209,670)	(33,434)	(127,193)	22,290	(213,980)	
Effect of assumption changes or inputs	306	(1,922)	(117,615)	985	35,454	10,450	(8,148)	(26,656)
Benefit payments	(46,680)	(110,971)	(73,302)	(84,795)	(81,231)	(83,165)	(68,393)	(86,043)
Net change in total OPEB liability	(5,604)	(60,692)	(267,852)	9,353	(40,909)	77,922	(159,782)	8,581
Total OPEB liability, beginning	474,849	535,541	803,393	794,040	834,949	757,027	916,809	908,228
Total OPEB liability, ending	$ 469,245	$ 474,849	$ 535,541	$ 803,393	$ 794,040	$ 834,949	$ 757,027	$ 916,809
Covered payroll	$ 33,814,780	$ 30,959,000	$ 27,852,000	$ 27,252,000	$ 26,015,000	$ 26,426,000	$ 25,904,000	$ 23,561,000
Total OPEB liability as a % of covered payroll	1.39%	1.53%	1.92%	2.95%	3.05%	3.16%	2.92%	3.89%