Greeley County Hospital a Component Unit of Greeley County, Kansas

Basic Financial Statements and Independent Auditors' Report

December 31, 2023 and 2022

ACCOUNTANTS | ADVISORS

Greeley County Hospital
a Component Unit of Greeley County, Kansas
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Greeley County Hospital
a Component Unit of Greeley County, Kansas
Tribune, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Greeley County Hospital (the Hospital), a component unit of Greeley County, Kansas, as of and for the years ended December 31, 2023 and 2022, 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 financial position of the Hospital as of December 31, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the provisions of the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Greeley County, Kansas, as of December 31, 2023 and 2022, or the changes in its financial position or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2023, the Hospital adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96*, Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

DZA PLLC

Spokane Valley, Washington
March 15, 2024

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Statements of Net Position
December 31, 2023 and 2022

ASSETS	2023	2022
Current assets		
Cash and cash equivalents	**$ 4,937,080**	$ 7,127,401
Certificates of deposit	**3,000,000**	-
Receivables:		
Estimated third-party payor settlements	**200,000**	750,000
Patient accounts	**1,813,901**	2,217,885
Grants	**32,944**	112,176
Other	**62,588**	83,999
Inventories	**173,965**	167,284
Prepaid expenses	**284,178**	242,900
Total current assets	**10,504,656**	10,701,645
Noncurrent assets		
Capital assets, net	**13,750,178**	13,974,055
Total assets	**$ 24,254,834**	$ 24,675,700
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	**$ 290,250**	$ 355,353
Accrued compensation and related liabilities	**901,815**	1,153,776
Current maturities of Greeley County bond contribution	**700,071**	718,722
Current maturities of subscription liabilities	**142,324**	-
Total current liabilities	**2,034,460**	2,227,851
Noncurrent liabilities		
Greeley County bond contribution, less current maturities	**6,561,649**	7,261,720
Subscription liabilities, less current maturities	**646,685**	-
Total noncurrent liabilities	**7,208,334**	7,261,720
Total liabilities	**9,242,794**	9,489,571
Net position		
Net investment in capital assets	**6,488,458**	5,993,613
Unrestricted	**8,523,582**	9,192,516
Total net position	**15,012,040**	15,186,129
Total liabilities and net position	**$ 24,254,834**	$ 24,675,700

See accompanying notes to basic financial statements.

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenues		
Net patient service revenue	**$ 13,568,981**	$ 11,787,721
Grants	**200,688**	333,421
Other	**463,281**	570,640
Total operating revenues	**14,232,950**	12,691,782
Operating expenses		
Salaries and wages	**7,292,569**	7,013,709
Employee benefits	**1,781,033**	1,614,557
Professional fees and other purchased services	**2,264,843**	2,149,853
Supplies	**1,541,038**	1,526,299
Repairs and maintenance	**458,808**	584,907
Depreciation and amortization	**1,552,149**	1,381,396
Utilities	**262,372**	305,064
Insurance	**136,208**	120,007
Leases and rentals	**31,506**	33,838
Other	**308,247**	371,679
Total operating expenses	**15,628,773**	15,101,309
Operating loss	**(1,395,823)**	(2,409,527)
Nonoperating revenues (expenses)		
Intergovernmental revenue	**851,762**	870,358
COVID-19 grants	**-**	281,963
CARES Act Provider Relief Fund	**-**	559,259
Interest income	**315,589**	128,754
Contributions	**1,125**	19,876
Interest expense on subscription liabilities	**(64,470)**	-
Total nonoperating revenues, net	**1,104,006**	1,860,210
Excess of revenues under expenses before capital contributions	**(291,817)**	(549,317)
Capital contributions	**117,728**	-
Change in net position	**(174,089)**	(549,317)
Net position, beginning of year	**15,186,129**	15,735,446
Net position, end of year	**$ 15,012,040**	$ 15,186,129

See accompanying notes to basic financial statements.

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 14,522,965**	$ 10,717,979
Cash received from grants	**279,920**	282,780
Other receipts	**484,692**	568,619
Payments to and on behalf of employees	**(9,325,563)**	(8,611,467)
Payments to suppliers and contractors	**(5,116,084)**	(5,092,509)
Net cash from operating activities	**845,930**	(2,134,598)
Cash flows from noncapital financing activities		
Intergovernmental revenue	**851,762**	870,358
Cash received from noncapital contributions	**1,125**	19,876
Proceeds from COVID-19 grant revenue	**-**	281,963
Net cash from noncapital financing activities	**852,887**	1,172,197
Cash flows from capital and related financing activities		
Payments for Greeley County bond contribution	**(718,722)**	(732,435)
Payments on subscription liabilities	**(131,548)**	-
Interest paid on subscription liabilities	**(64,470)**	-
Purchase of capital assets	**(407,715)**	(143,495)
Capital contributions received	**117,728**	-
Net cash from capital and related financing activities	**(1,204,727)**	(875,930)
Cash flows from investing activities		
Purchase of certificates of deposit	**(3,000,000)**	-
Interest income received	**315,589**	128,754
Net cash from investing activities	**(2,684,411)**	128,754
Net change in cash and cash equivalents	**(2,190,321)**	(1,709,577)
Cash and cash equivalents, beginning of year	**7,127,401**	8,836,978
Cash and cash equivalents, end of year	**$ 4,937,080**	$ 7,127,401

See accompanying notes to basic financial statements.

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating loss	**$ (1,395,823)**	$ (2,409,527)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	**1,552,149**	1,381,396
Provision for bad debts	**221,155**	195,060
(Increase) decrease in assets:		
Receivables:		
Patient accounts	**182,829**	(214,802)
Estimated third-party payor settlements	**550,000**	(750,000)
Grants	**79,232**	(50,641)
Other	**21,411**	(2,021)
Inventories	**(6,681)**	(34,295)
Prepaid expenses	**(41,278)**	(12,558)
Increase (decrease) in liabilities:		
Accounts payable	**(65,103)**	45,991
Accrued compensation and related liabilities	**(251,961)**	16,799
Estimated third-party payor settlements	**-**	(300,000)
Net cash from operating activities	**$ 845,930**	$ (2,134,598)

Noncash Capital Financing Activities

During the year ended December 31, 2023, the Hospital implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which resulted in recognizing two new subscription assets and corresponding liabilities totaling $920,557.

See accompanying notes to basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Greeley County Hospital (the Hospital) is an acute care hospital located in Tribune, Kansas. The Hospital is a component unit of Greeley County (the County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital provides inpatient, outpatient, emergency care, residential long-term care services, and primary care to patients in the Greeley and Wallace Counties area.

On January 1, 2006, the Board of Trustees of Greeley County Hospital (the Lessor) organized Greeley County Health Services, Inc. (the Lessee) (GCHS) as a Section 501(c)(3) organization for the purpose of assuming custody of certain assets and liabilities related to hospital operations and operate the Hospital as of January 1, 2006, pursuant to a lease agreement ending December 31, 2011. Board members of the Lessor act as the Board of Trustees for the Lessee. At the conclusion of the lease, the Lessee has the right to extend the term of the lease for two (2) additional periods of five (5) years each, beyond the expiration of the initial term. Rent expense under this lease is $1 paid at the beginning of the lease term. The Lessee has exercised the right to extend the lease through December 31, 2024.

As required by accounting principles generally accepted in the United States of America, these financial statements include the Hospital and its component unit, GCHS. Although GCHS is legally separate from the Hospital, GCHS is reported as if it were part of the Hospital because the Hospital's Board of Trustees also serves as its governing body. GCHS is considered a component unit of the Hospital and is included in the financial statements of the Hospital using the blended method. All significant intercompany accounts and transactions have been eliminated. Separate financial statements for GCHS are not available.

b. Summary of Significant Accounting Policies

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

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

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

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

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

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

   b. **Summary of Significant Accounting Policies (continued)**

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

   Net position – Net position of the Hospital is classified into three components. *Net investment in capital assets* consists of the Hospital's capital assets net of accumulated depreciation and is reduced by the current balances of any 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. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets.* The Hospital did not have any restricted net position at December 31, 2023 and 2022.

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

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

   Grants and contributions – From time to time, the Hospital receives federal and state grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects, or purposes related to the Hospital's operating activities, are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

   Income taxes – As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code (IRC) and a similar provision of state law. GCHS is exempt from income taxes under Section 501(c)(3) of the IRC and a similar provision of state law. However, both entities are subject to federal income tax on any unrelated business taxable income. The entities evaluate uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2023 and 2022, the Hospital and GCHS had no uncertain tax positions requiring accrual.

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

   b. Summary of Significant Accounting Policies (continued)

   ***Change in accounting principle* –** In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-of-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The Hospital adopted Statement No. 96 during the year ended December 31, 2023.

   Subsequent events – The Hospital has evaluated subsequent events through March 15, 2024, the date on which the financial statements were available to be issued.

2. **Bank Deposits:**

   K.S.A. 9-1401 establishes the depositories which may be used by the Hospital. The statute requires banks eligible to hold the Hospital's funds have a main or branch bank in the county in which the hospital is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Deposit Insurance Corporation coverage. The Hospital has no other policies that would further limit interest rate risk.

   K.S.A. 12-1675 limits the Hospital's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Hospital has no investment policy that would further limit its investment choices.

   Concentration of credit risk – State statutes place no limit on the amount the Hospital may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

   Custodial credit risk: ***deposits*** – Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. State statutes require the Hospital's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

   As of December 31, 2023, the Hospital's carrying amount of deposits including certificates of deposit was $7,934,310 and the bank balance was $8,239,362. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, $519,589 was covered by federal depository insurance. The total financial institutions' pledging for collateralization of funds in the Hospital's name was $7,822,516.

   Credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The Hospital does not have a policy specifically requiring or limiting investments of this type.

3. Fair Value Measurements:

The Hospital categorizes its 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 quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The certificates of deposit are Level 2 inputs.

4. Patient Accounts Receivable:

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

The Hospital's allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior year. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

		2023		2022
Receivable from patients and their insurance carriers	**$**	**1,522,472**	$	1,792,890
Receivable from Medicare		**867,134**		918,009
Receivable from Medicaid		**145,376**		242,688
Total patient accounts receivable		**2,534,982**		2,953,587
Less allowance for uncollectible accounts		**721,081**		735,702
Patient accounts receivable, net	**$**	**1,813,901**	$	2,217,885

5. Capital Assets:

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

Land improvements	5 to 25 years
Buildings and improvements	5 to 40 years
Equipment	3 to 20 years
Subscription assets	3 to 5 years

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
Capital assets not being depreciated					
Land	$ 301,707	$ -	$ -	$ -	**$ 301,707**
Construction in progress	8,920	-	-	(8,920)	**-**
Total capital assets not being depreciated	310,627	-	-	(8,920)	**301,707**
Capital assets being depreciated					
Land improvements	452,844	59,800	-	-	**512,644**
Buildings and improvements	18,199,719	213,155	-	8,920	**18,421,794**
Equipment	3,780,340	134,760	(226,868)	-	**3,688,232**
Subscription assets	-	920,557	-	-	**920,557**
Total capital assets being depreciated	22,432,903	1,328,272	(226,868)	8,920	**23,543,227**
Less accumulated depreciation for					
Land improvements	77,073	32,412	-	-	**109,485**
Buildings and improvements	5,998,086	1,121,579	-	-	**7,119,665**
Equipment	2,694,316	238,828	(226,868)	-	**2,706,276**
Subscription assets	-	159,330	-	-	**159,330**
Total accumulated depreciation	8,769,475	1,552,149	(226,868)	-	**10,094,756**
Total capital assets being depreciated, net	13,663,428	(223,877)	-	8,920	**13,448,471**
Capital assets, net	**$ 13,974,055**	**$ (223,877)**	**$ -**	**$ -**	**$ 13,750,178**

5. Capital Assets (continued):

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
Capital assets not being depreciated					
Land	$ 301,707	$ -	$ -	$ -	**$ 301,707**
Construction in progress	3,500	5,420	-	-	**8,920**
Total capital assets not being depreciated	305,207	5,420	-	-	**310,627**
Capital assets being depreciated					
Land improvements	445,281	7,563	-	-	**452,844**
Buildings and improvements	18,156,651	43,068	-	-	**18,199,719**
Equipment	3,692,896	87,444	-	-	**3,780,340**
Total capital assets being depreciated	22,294,828	138,075	-	-	**22,432,903**
Less accumulated depreciation for					
Land improvements	46,350	30,723	-	-	**77,073**
Buildings and improvements	4,872,304	1,125,782	-	-	**5,998,086**
Equipment	2,469,425	224,891	-	-	**2,694,316**
Total accumulated depreciation	7,388,079	1,381,396	-	-	**8,769,475**
Total capital assets being depreciated, net	14,906,749	(1,243,321)	-	-	**13,663,428**
Capital assets, net	**$ 15,211,956**	**$ (1,237,901)**	**$ -**	**$ -**	**$ 13,974,055**

6. Greeley County General Obligation Refunding and Improvement Bonds:

A schedule of changes in the Hospital's bonds follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Greeley County bond contribution	$ 7,980,442	$ -	$ (718,722)	$ 7,261,720	$ 700,071

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Greeley County bond contribution	$ 8,712,877	$ -	$ (732,435)	$ 7,980,442	$ 718,722

6. Greeley County General Obligation Refunding and Improvement Bonds (continued):

Greely County issued The Unified Government of Greeley County, Kansas General Obligation Refunding and Improvement Bonds, Series 2021 (the Bonds) on September 30, 2021. The Bonds' proceeds consisting of the principal amount of $10,025,000 plus a premium of $1,908,682 less costs of issuance and underwriter's discount of $100,250 were used to remodel and expand the Hospital.

Based on accounting principles generally accepted in the United States of America, because the Hospital is a legally separate entity and the County is legally responsible for the bond debt service, the Bonds are not reported as an obligation of the Hospital. The Hospital will make annual contributions to the County for bond debt service, but the County remains the legally responsible entity for the bond debt service.

The scheduled annual payments to Greeley County are as follows:

Years Ending December 31,	Amount
2024	$ 700,071
2025	673,871
2026	655,572
2027	636,917
2028	615,121
2029-2033	2,629,984
2034-2037	1,350,184
	$ 7,261,720

7. Subscription Liabilities:

A schedule of changes in the Hospital's subscription liabilities follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Subscription liability - 3M	$ -	$ 62,668	$ (13,904)	$ 48,764	$ 15,547
Subscription liability - Evident	-	857,889	(117,644)	740,245	126,777
Total subscription liabilities	**$ -**	**$ 920,557**	**$ (131,548)**	**$ 789,009**	**$ 142,324**

The Hospital has recorded subscription liabilities for the following subscription-based information technology arrangements:

- 3M Health Information Systems, Inc., agreement effective September 22, 2018, with variable payments from $1,494 to $1,633 for 46 months. The Hospital has the option to extend the agreement an additional five years at the same monthly payments.

7. Subscription Liabilities (continued):

- Evident, LLC agreement effective September 28, 2021, with $14,833 payments for 72 months. The Hospital has the option to extend the agreement on an annual basis at the same monthly payment.

The Hospital adopted GASB No. 96 during the year ended December 31, 2023. The Hospital did not restate the financial statements for the year ended December 31, 2022, for GASB No. 96 due to insufficient resources available to do so and due to management's determination that the restatement would not provide significant benefit to the financial statement users.

The scheduled annual principal and interest payments over the terms of subscription liabilities are as follows:

Years Ending December 31,	Principal Payments	Interest	Total
2024	$ 142,324	$ 54,236	$ 196,560
2025	153,953	43,164	197,117
2026	163,107	31,220	194,327
2027	158,654	19,342	177,996
2028	170,971	7,025	177,996
	$ 789,009	**$ 154,987**	**$ 943,996**

8. Net Patient Service Revenue:

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Hospital's provisions for bad debts and writeoffs have not changed significantly from the prior year. The Hospital has not changed its charity care or uninsured discount policies during 2023 or 2022.

8. Net Patient Service Revenue (continued):

Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, follows:

	2023	2022
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 7,815,377**	$ 6,087,430
Medicaid	**2,133,984**	1,613,107
Other third-party payors	**2,754,646**	2,878,418
Patients	**1,169,802**	1,265,095
340B contract pharmacy	**122,364**	263,215
	13,996,173	12,107,265
Less:		
Charity care	**206,037**	124,484
Provision for bad debts	**221,155**	195,060
Net patient service revenue	**$ 13,568,981**	$ 11,787,721

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

- *Medicare* – The Hospital has been designated a critical access hospital by Medicare and is reimbursed for inpatient and outpatient services and rural health clinic visits on a cost basis as defined and limited by the Medicare program. Physician services outside the rural health clinic are paid on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.
- *Medicaid* – Inpatient, outpatient, rural health clinic, and long-term care services are reimbursed using a prospective payment methodology.

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

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately $59,000 and $3,000 in the years ended December 31, 2023 and 2022, respectively, due to differences between the original estimates and final settlements.

8. Net Patient Service Revenue (continued):

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2023 and 2022, were approximately $172,000 and $103,000, respectively.

9. Intergovernmental Revenue:

The Hospital receives significant financial support from intergovernmental revenue derived from property taxes levied by the County. These funds were used to support operations of the Hospital. Property taxes are assessed by the County in November of one year and are received beginning in January of the following year. Intergovernmental revenue is recognized in the year in which use is first permitted.

10. Defined Contribution Plan:

The Hospital sponsors and administers 403(b) and 401(a) defined contribution pension plans. The Greeley County Health Services Inc. Employees Pension Plan (the Plan) is available to all employees who have completed one year of service. Employees that participate are required to contribute a minimum of 4.5 percent of their gross wages. After one year of successful employment, GCHS will begin matching 3 percent of the employee's gross wages for the remainder of their employment. The Plan is administered by the Hospital. The Plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Employees are permitted to make contributions up to the applicable IRC limits.

Vesting is based on years of credited services as set forth in the following table. Service prior to the date in which an employee becomes a participant in the Plan does not qualify for vesting purposes. A participant will become 100 percent vested immediately upon early retirement, attainment of normal retirement age, or death.

Participant's Years of Service	Vested Percentage
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

10. Defined Contribution Plan (continued):

Employee contributions to the Plan during the years ended December 31, 2023 and 2022, were approximately $397,000 and $354,000, respectively. The Hospital made matching contributions to the Plan of approximately $167,000 and $174,000 for the years ended December 31, 2023 and 2022, respectively.

The Hospital had no material liability to the Plan at December 31, 2023 and 2022.

11. Contingencies:

Medical malpractice claims – The Hospital has professional liability insurance with KAMMCO Casualty Company, Inc. The policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Hospital purchased claims-made insurance in that year or the Hospital purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides $500,000 per claim of primary coverage with an annual aggregate limit of $1,500,000.

The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year.

Risk management – The Hospital is exposed to various risks of loss from torts; theft of damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Litigation – The Hospital is also involved in litigation and regulatory investigations arising in the normal course of business. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

11. Contingencies (continued):

Healthcare self-insurance – The Hospital participates in a self-insured health insurance plan administered by Blue Cross and Blue Shield of Kansas, Inc. The Hospital self-insures the first $40,000 in claims per eligible participant. The Hospital also purchases annual stop-loss insurance coverage for all claims in excess of $40,000 per participant. The calculation of loss coverage is based upon a set dollar amount per covered employee.

12. Concentration of Risk:

Patient accounts receivable – The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Greeley and Wallace Counties.

The mix of receivables from patients was as follows:

	2023	2022
Medicare	**34 %**	36 %
Medicaid	**8**	10
Other third-party payors	**24**	26
Patients	**34**	28
	100 %	100 %

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

13. Related-party Transactions:

Chris Dixon, board member, owned Great Plains Pharmacy. As of January 1, 2023, Chris Dixon no longer owns Great Plains Pharmacy. For the years ended December 31, 2023 and 2022, the Hospital purchased approximately $-0- and $227,000, respectively, of pharmaceuticals through Great Plains Pharmacy.