OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Financial Statements

Years Ended December 31, 2023 and 2022

(Together With Independent Auditor's Report)

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

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Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Osborne County Memorial Hospital
Osborne, Kansas:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Osborne County Memorial Hospital, a component unit of Osborne 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 Osborne County Memorial 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 Osborne County Memorial 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 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 Osborne County Memorial 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 Matter

As discussed in note 14 to the financial statements, during the year ended December 31, 2023, Osborne County Memorial Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). Our opinion is not modified with respect to this matter.

(Continued)

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 Osborne County Memorial Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that raise substantial doubt shortly thereafter.

Auditors' Responsibility 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 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 the *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 Osborne County Memorial 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 Osborne County Memorial Hospital's ability to continue as a going concern for a reasonable period of time.

(Continued)

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

Osborne County Memorial Hospital has omitted a 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.

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
October 4, 2024

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Financial Position

December 31, 2023 and 2022

Assets	2023	2022 *(As Restated)*
Current assets:		
Cash	$ 5,692,779	5,810,071
Restricted cash - COVID-19 funds	-	268,000
Patient accounts receivable, net of contractual adjustments and estimated uncollectibles of $791,951 in 2023 and $567,300 in 2022	1,278,421	1,324,137
Other receivables	36,543	43,739
Taxes receivable	96,104	99,100
Supplies inventory	118,554	103,330
Prepaid expenses	234,403	216,175
Estimated third-party payor settlements	-	395,000
Total current assets	7,456,804	8,259,552
Assets whose use is limited or restricted:		
Restricted by donors or grantors	484,542	256,988
Board designated for debt payments	926,491	-
Interest in assets at Greater Salina Community Foundation	16,154	14,150
Total assets whose use is limited or restricted	1,427,187	271,138
Capital assets	19,058,981	18,997,776
Less accumulated depreciation	4,923,348	3,770,876
Net capital assets	14,135,633	15,226,900
Subscription assets	1,245,517	1,245,517
Less accumulated amortization	664,276	332,138
Net subscription assets	581,241	913,379
	$ 23,600,865	24,670,969

See accompanying notes to financial statements.

Liabilities and Net Position	2023	2022 *(As Restated)*
Current liabilities:		
Current installments of subscription obligations	$ 340,236	326,917
Accounts payable and payroll withholding	123,986	157,987
Accrued expenses - salaries, wages and benefits	308,804	657,264
Advanced grants - COVID-19 funds	-	268,000
Estimated third-party payor settlements	165,000	10,000
Total current liabilities	938,026	1,420,168
Subscription obligations, excluding current installments	264,244	604,480
Total liabilities	1,202,270	2,024,648
Net position:		
Net investment in capital assets	14,112,394	15,208,882
Restricted expendable for:		
Capital assets	332,103	104,549
Operating activities	152,439	152,439
Unrestricted	7,801,659	7,180,451
Total net position	22,398,595	22,646,321
	$ 23,600,865	24,670,969

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2023 and 2022

	2023	2022 *(As Restated)*
Operating revenues:		
Net patient service revenue	$ 8,528,961	8,055,843
Provision for uncollectible accounts	(337,070)	(360,067)
Net patient service revenue, less provision for uncollectible accounts	8,191,891	7,695,776
Other operating revenue	965,312	967,193
Total operating revenues	9,157,203	8,662,969
Operating expenses:		
Salaries and wages	4,442,174	4,535,777
Employee benefits	887,720	781,263
Supplies and other	3,472,985	3,180,180
Depreciation and amortization	1,488,098	1,471,647
Total operating expenses	10,290,977	9,968,867
Operating loss	(1,133,774)	(1,305,898)
Nonoperating revenues and expenses:		
Noncapital appropriations - Osborne County	1,012,562	1,005,807
Investment income	152,290	19,399
Interest expense	(30,116)	(57,698)
Grants - COVID-19 funds	-	531,519
Noncapital grants and contributions	15,715	56,441
Total nonoperating revenues and expenses	1,150,451	1,555,468
Revenues in excess of expenses	16,677	249,570
Transfer to County	(448,835)	(448,835)
Capital grants and contributions	184,432	104,549
Decrease in net assets	(247,726)	(94,716)
Net position, beginning of year	22,646,321	22,741,037
Net position, end of year	$ 22,398,595	22,646,321

See accompanying notes to financial statements.

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

Change in Cash	2023	2022 *(As Restated)*
Cash flows from operating activities:		
Cash received:		
Patients and third-party payors	$ 8,787,607	7,513,820
Other receipts, net	965,312	967,193
Cash paid to employees	(5,678,354)	(5,204,289)
Cash paid to suppliers and contractors	(3,533,242)	(2,940,362)
Net cash provided by operating activities	541,323	336,362
Cash flows from noncapital financing activities:		
Noncapital appropriations - Osborne County	1,015,558	1,009,971
Noncapital grants and contributions received	15,715	56,441
Grants - COVID-19 funds repaid	(268,000)	(49,462)
Net cash provided by noncapital financing activities	763,273	1,016,950
Cash flows from capital and related financing activities:		
Capital grants and contributions	184,432	104,549
Capital expenditures	(64,693)	(308,564)
Transfer to Osborne County	(448,835)	(448,835)
Principal payments on subscription obligation	(326,917)	(314,120)
Interest paid	(30,116)	(57,698)
Net cash used by capital and related financing activities	(686,129)	(1,024,668)
Cash flows from investing activities:		
Certificates of deposit purchased	(926,491)	-
Interest income received	150,286	21,767
Net cash provided (used) by investing activities	(776,205)	21,767
Net increase (decrease) in cash and cash equivalents	(157,738)	350,411
Cash, beginning of year	6,335,059	5,984,648
Cash, end of year	$ 6,177,321	6,335,059
Reconciliation of cash to the statements of financial position:		
Cash	$ 5,692,779	5,810,071
Restricted cash - COVID-19 funds	-	268,000
Cash in noncurrent assets	484,542	256,988
Total cash	$ 6,177,321	6,335,059

(Continued)

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Cash Flows
(Continued)
Years Ended December 31, 2023 and 2022

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	2023	2022 *(As Restated)*
Operating loss	$ (1,133,774)	(1,305,898)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,488,098	1,471,647
Provision for uncollectible accounts	337,070	360,067
Decrease (increase) in:		
Patient accounts receivable	(291,354)	(92,023)
Other receivables	7,196	259,700
Supplies inventories	(15,224)	26,986
Prepaid expenses	(18,228)	(42,816)
Estimated third-party payor settlements	550,000	(450,000)
Increase (decrease) in:		
Accounts payable and payroll withholding	(34,001)	(4,052)
Accrued expenses - salaries, wages and benefits	(348,460)	112,751
Net cash provided by operating activities	$ 541,323	336,362

Supplemental Disclosure of Cash Flows Information

Noncash change in assets at Greater Salina Community Foundation	$ (2,004)	2,368

See accompanying notes to financial statements.

(1) Nature of Operations and Summary of Significant Accounting Policies

Nature of operations and reporting entity

Osborne County Memorial Hospital (the Hospital) is located in Osborne, Kansas. The Hospital is a component unit of Osborne County, Kansas (the County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Osborne County area.

Basis of accounting and presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and County appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as County appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses.

Income taxes

As an essential government entity, the Hospital is generally exempt from federal and state taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Hospital has also been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code.

Use of estimates

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

(Continued)

Cash and cash equivalents and statements of cash flows

For purposes of the statements of cash flows, the Hospital considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2023 and 2022.

Patient accounts receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, 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 uninsured/self-pay patients (which includes 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 uncollectible accounts 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. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. 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 doubtful accounts.

Supplies inventory

Supply inventories are stated at the lower of cost determined using the first-in, first-out method, or net realizable value.

Assets whose use is limited or restricted

Assets whose use is limited or restricted include assets restricted by donors for capital acquisitions and specific operating activities, board designated funds set aside for future debt payments and interest in assets at Greater Salina Community Foundation (note 6). Assets whose use is limited or restricted consist primarily of money market accounts and certificates of deposit.

(Continued)

Capital assets

Capital assets in excess of $5,000 are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the useful life of the respective assets are charged to expense as incurred. All capital assets other than land are depreciated or amortized over the estimated useful lives of the respective assets on the straight-line method. Capital assets under lease obligations are amortized on the straight-line method over the shorter period of the contract term or the estimated useful life of the capital asset. Amortization is included in depreciation and amortization in the financial statements. Useful lives are determined using the general guidelines set forth in the American Hospital Association Guide for Estimated Useful lives of Depreciable Hospital Assets. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recognized. The following estimated useful lives are being used by the Hospital:

	Life in Years
Land improvements	10-25
Buildings	20-40
Fixed equipment	5-20
Moveable equipment	5-20

Subscription assets

Subscription assets are recorded at the initial measurement 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 on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital and subscription asset impairment

The Hospital evaluates capital and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or subscription asset has occurred. If a capital or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or accumulated amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2023 and 2022.

(Continued)

Compensated absences

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

Net position

Net position of the Hospital is classified in three components on its balance sheets.

- *Net investment in capital assets* consists of capital, lease and subscription assets net of accumulated depreciation and amortization reduced by the outstanding balances of borrowings and liabilities used to finance the purchase, construction or lease of those assets.
- *Restricted expendable* net position consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital.
- *Unrestricted* net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Restricted resources

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

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 rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

(Continued)

Charity care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital estimates the cost associated with providing services under its charity care policy were approximately $16,700 and $11,900 for the years ended December 31, 2023 and 2022, respectively. The Hospital computes its estimated charity care costs by applying its overall cost to charge ratio (total operating costs plus interest expense divided by gross operating revenue) to the gross charges forgone under its charity care policy.

Noncapital appropriations - Osborne County

The Hospital received approximately 11% of its financial support in 2023 and 2022 from noncapital appropriations from the County's property tax levy and 1% sales tax revenue.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from property taxes and 1% sales taxes is recognized in the year for which the taxes are levied.

Investment income

Investment income is reported as nonoperating income. Investment income on donor-restricted assets which is not donor-restricted is recorded as nonoperating income. Investment income on donor-restricted assets which is donor-restricted is added to restricted net position balances.

Risk management

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

New accounting and reporting standard

On January 1, 2023, the Hospital adopted GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (SBITA). This new statement establishes that a SBITA results in the recognition of a right-to-use asset and a corresponding subscription liability and provides for capitalization criteria for outlays other than subscription payments, including implementation cost of a SBITA. The subscription liability should be initially measured as the present value of the subscription payments expected to be made during the subscription term. See note 14 regarding the effect of adopting GASB Statement No. 96.

(Continued)

(2) 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 rates. These payment arrangements include:

- **Medicare:** The Hospital is recognized as a Critical Access Hospital (CAH). Under CAH rules, inpatient acute care and skilled swing-bed and most outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of actual cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules. The Hospital is reimbursed for most services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through December 31, 2020.

  The "Budget Control Act of 2011" requires, among other things, mandatory across-the-board reductions in federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013 incur a 2% reduction in Medicare payments. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) temporarily exempted Medicare from the effects of sequestration. This exemption was in effect from May 1, 2020 through March 31, 2022. From April 1, 2022 to June 30, 2022, a 1% reduction occurred and after June 30, 2022, the full 2% reduction is effective again.

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

Approximately 74% and 73% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

(Continued)

Net patient service revenue consists of the following for the years ended December 31:

	2023	2022
Net patient service revenue:		
Gross patient service revenue:		
Medicare	$ 6,574,890	5,169,565
Medicaid	670,700	483,236
Commercial insurance and other	3,172,561	2,800,318
Uninsured/self-pay	192,351	237,281
Charity care deductions	(17,157)	(10,324)
Gross patient service revenue (after charity care)	10,593,345	8,680,076
Contractual adjustments:		
Medicare	(653,243)	486,481
Medicaid	(277,133)	(297,740)
Commercial insurance and other	(1,134,008)	(812,974)
Total contractual adjustments	(2,064,384)	(624,233)
Net patient service revenue	8,528,961	8,055,843
Provision for uncollectible accounts	(337,070)	(360,067)
Net patient service revenue, less provision for uncollectible accounts	$ 8,191,891	7,695,776

(3) COVID-19 Funds

In December 2019, a novel strain of the coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the United States of America (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The U.S. Congress passed the Families First Coronavirus Response Act, the CARES Act, and the American Rescue Plan Act (ARP Act) to provide various relief programs and direct funds to both health care providers, such as the Hospital, and the general public to assist during the duration of the pandemic.

(Continued)

Under the authority of the CARES Act, the U.S. Department of Health and Human Services (HHS) established various Provider Relief Funds (PRF) to distribute funds to health care providers. The Hospital received Provider Relief Fund distributions of $799,519 and $2,736,611 during the years ended December 31, 2021 and 2020, respectively. The terms and conditions associated with accepting the funds specifically stated they could only be used to prevent, prepare for, and respond to coronavirus healthcare-related expenses or lost revenues that were attributable to the coronavirus. Recipients were required to file reports with HHS regarding the use of these funds for eligible purposes. Any unused funds were required to be returned to HHS.

The Hospital considered the receipt of the funds a voluntary nonexchange transaction and the incurrence of eligible coronavirus healthcare-related expenses or lost revenues attributable to the coronavirus to be eligibility requirements for accounting and financial reporting purposes. The PRF amounts received were recorded as Advanced grants (liability). The liability was derecognized and nonoperating revenues recognized, as the eligibility requirements were determined to be met by the Hospital. The Hospital recognized $531,519 and $1,145,697 as Grants – COVID-19 funds for the years ended December 31, 2022 and 2021, respectively. The Hospital repaid PRF amounts to HHS of $1,858,914.

The laws and regulations associated with the CARES Act funds 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.

(4) Deposits

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

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

(Continued)

At December 31, 2023 and 2022, $6,185,356 and $5,606,349 of the Hospital's bank balances of $7,201,509 and $6,370,498, respectively, were exposed to custodial credit risk as follows:

	2023	2022
Uninsured but collateralized with securities held by pledging financial institution's trust department or agent in the Hospital's name	$ 6,185,356	5,606,349

The carrying amounts of deposits shown above are included in the balance sheet as follows:

	2023	2022
Carrying value, deposits	$ 7,103,812	6,335,059
Included in the following balance sheet captions:		
Cash in current assets	$ 5,692,779	5,810,071
Restricted cash in current assets	-	268,000
Assets whose use is limited or restricted:		
Restricted by donors of grantors	484,542	256,988
Board designated for debt payments	926,491	-
	$ 7,103,812	6,335,059

(Continued)

(5) Patient Accounts Receivable and Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, many of whom are area residents and insured under third-party payor agreements.

Patient accounts receivable at December 31 consisted of the following:

	2023	2022
Receivable from:		
Medicare	$ 1,061,482	891,692
Medicaid	66,455	78,694
Self-pay	528,786	377,418
Blue Cross	209,361	296,786
Other third-party payers	204,288	246,847
Total patient accounts receivable	2,070,372	1,891,437
Allowances for:		
Contractual adjustments	300,173	212,300
Uncollectible accounts	491,778	355,000
Total allowances	791,951	567,300
Net patient accounts receivable	$ 1,278,421	1,324,137

(6) Interest in Assets at Greater Salina Community Foundation

The Hospital entered into an Organization Fund Agreement in 2012 with the Greater Salina Community Foundation (the Foundation). Changes in the beneficial interest in those assets are included in nonoperating revenue as investment income. The account experienced a net increase of $2,004 and a net decrease of $2,368 for the years ended December 31, 2023 and 2022, respectively.

(Continued)

(7) Capital and Subscription Assets

Capital asset activity for the years ended December 31, 2023 and 2022 was:

	2022	Additions	Transfers/ Retirements	2023
Historical costs				
Land improvements	$ 889,499	-	-	889,499
Buildings	11,567,334	-	-	11,567,334
Fixed equipment	3,273,310	-	-	3,273,310
Moveable equipment	3,257,633	64,693	6,512	3,328,838
Construction in progress - not depreciated	10,000	-	(10,000)	-
Total historical costs	18,997,776	64,693	(3,488)	19,058,981
Less accumulated depreciation				
Land improvements	(174,904)	(62,593)	-	(237,497)
Buildings	(1,278,727)	(457,901)	-	(1,736,628)
Fixed equipment	(609,822)	(218,221)	-	(828,043)
Moveable equipment	(1,707,423)	(417,245)	3,488	(2,121,180)
Total accumulated depreciation	(3,770,876)	(1,155,960)	3,488	(4,923,348)
Net capital assets	$ 15,226,900	(1,091,267)	-	14,135,633

(Continued)

	2021	Additions	Transfers/ Retirements	2022
Historical costs				
Land improvements	$ 889,499	-	-	889,499
Buildings	11,567,334	-	-	11,567,334
Fixed equipment	3,273,310	-	-	3,273,310
Moveable equipment	2,959,069	298,564	-	3,257,633
Construction in progress - not depreciated	-	10,000	-	10,000
Total historical costs	18,689,212	308,564	-	18,997,776
Less accumulated depreciation				
Land improvements	(112,312)	(62,592)	-	(174,904)
Buildings	(820,826)	(457,901)	-	(1,278,727)
Fixed equipment	(391,601)	(218,221)	-	(609,822)
Moveable equipment	(1,306,628)	(400,795)	-	(1,707,423)
Total accumulated depreciation	(2,631,367)	(1,139,509)	-	(3,770,876)
Net capital assets	$ 16,057,845	(830,945)	-	15,226,900

Subscription assets activity for the years ended December 31, 2023 and 2022 was:

	2022	Additions	Transfers/ Retirements	2023
Historical costs				
Subscriptions	$ 1,245,517	-	-	1,245,517
Less accumulated amortization				
Subscriptions	(332,138)	(332,138)	-	(664,276)
Net subscription asset	$ 913,379	(332,138)	-	581,241

	2021	Additions	Transfers/ Retirements	2022
Historical costs				
Subscriptions	$ 1,245,517	-	-	1,245,517
Less accumulated amortization				
Subscriptions	-	(332,138)	-	(332,138)
Net subscription asset	$ 1,245,517	(332,138)	-	913,379

(Continued)

(8) Replacement Facility

A new hospital and physicians' clinic building (the Replacement Facility) was completed during 2020 and all Hospital operations were moved from the existing building to it during March of 2020. During 2017, the voters of the County approved a tax levy (general obligation of the County) to support and fund the repayment of a United States Department of Agriculture (USDA) direct loan of up to $18,735,000 to fund the construction. Since the underlying USDA direct loan amounts were issued as general obligation bonds of the County, the debt is being reported as an obligation of the County and not the Hospital.

Although the tax levy was approved in an amount to cover the entire potential annual principal and interest payments required to service the USDA direct loan, the County anticipates requesting funds annually from the Hospital to cover the required annual debt service requirements. The Hospital anticipates using a combination of funds generated from its on-going operations and existing annual tax levy amounts to fund the County's annual required debt repayments. The Hospital internally designated $926,491 of certificates of deposit during 2023 for future debt payments. During both 2023 and 2022, the Hospital transferred $448,835 to the County.

The County's general obligation bonds issued in January 2020 for the USDA direct loan carry a fixed interest rate of 2.75% and a 30-year amortization period. Repayments of principal and interest are due annually with the final payment due January 22, 2050. The final total costs of the project were less than originally estimated resulting in $1,011,018 of excess funds at the close of the project. The County repaid the excess funds in January 2021 when it made the first required installment of principal and interest. The following schedule presents the County's repayment requirements under the USDA direct loan:

Year Ending	Principal	Interest	Total
2024	$ 445,005	451,425	896,430
2025	455,960	441,634	897,594
2026	469,782	427,888	897,670
2027	482,701	414,969	897,670
2028	495,975	400,594	896,569
2029 to 2033	2,689,872	1,797,379	4,487,251
2034 to 2038	3,082,065	1,405,436	4,487,501
2039 to 2043	3,529,994	957,700	4,487,694
2044 to 2048	3,955,455	444,757	4,400,212
2049 to 2050	853,725	35,441	889,166
Total	$ 16,460,534	6,777,223	23,237,757

(Continued)

(9) Subscription Obligations

The Hospital has subscription-based information technology arrangements (SBITAs).

Subscription obligation activity of the Hospital for the years ended December 31, 2023 and 2022 consisted of the following:

	2022	Additions	Reductions	2023	Due Within One Year
Subscription obligation	$ 931,397	-	(326,917)	604,480	340,236
Less current installments	326,917			340,236	
Subscription obligation, excluding current installments	$ 604,480			264,244	

	2021	Additions	Reductions	2022	Due Within One Year
Subscription obligation	$ 1,245,517	-	(314,120)	931,397	326,917
Less current installments				326,917	
Subscription obligation, excluding current installments				$ 604,480	

The Hospital has one SBITA, the term of which expires in 2025. The subscription requires monthly payments of $29,753. The Hospital established the subscription asset and liability using an imputed interest rate of 4.0%.

Scheduled principal and interest payments on subscription obligations are as follows:

Year Ending December 31,	Principal	Interest
2024	$ 340,236	16,796
2025	264,244	3,531
Total	$ 604,480	20,327

(Continued)

(10) Medical Malpractice and Liability Coverage and Claims

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. In addition, the Hospital carries an umbrella policy which also provides $1,000,000 per occurrence and $3,000,000 aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while coverage is in force. The Hospital accrues the expense of its share of asserted and unasserted claims occurring during the year by estimating the probable ultimate cost of any such claim. Based upon the Hospital's claim experience, no such accrual has been made. However, because of the risks involved in providing healthcare services, it is possible that an event has occurred which will be the basis of a future material claim.

(11) Pension Plan

The Hospital maintains a 401(a) money purchase pension plan for eligible employees. Eligibility is established by all employees 21 years of age or older who have completed one year of service and have been paid for 1,000 hours of service for the year. For any plan year in which the employee makes an elective deferral, the Hospital will make a 100% matching contribution, up to 3% of a participant's annual compensation. Benefits are funded by a money purchase annuity with an insurance company. The plan is funded for past service on an installment basis over the estimated remaining duration of employment from the effective date of the plan to the employee's normal retirement date. For all employees who terminated from the Hospital prior to April 1, 2009, benefits vested after two years of service with full vesting after six years of service. All employees who contribute at least one hour of service on or after April 1, 2009, vest after one year of service with full vesting after four years of service. Contributions actually made by plan members totaled $107,152 and $124,961 in 2023 and 2022, respectively. Hospital contributions totaled $73,522 and $74,180 in 2023 and 2022, respectively.

(Continued)

(12) 340B Drug Pricing Program

The Hospital began participating in the 340B Drug Pricing Program (340B Program) during 2015 enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $901,392 and $891,152 for the years ended December 31, 2023 and 2022, respectively, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. The Hospital recorded expenses of $987,083 and $860,520 for the years ended December 31, 2023 and 2022, respectively, which is included in supplies and other in the accompanying statements of revenues, expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and changes to financial statement amounts related to the 340B Program could occur in the near term.

(13) Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 - Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets.

The Hospital has the following recurring fair value measurements:

- Equity securities of $12,115 and $10,612 are valued using quoted market prices (Level 1 inputs) at December 31, 2023 and 2022, respectively.
- Bonds of $4,039 and $3,538 are valued using a matrix pricing model (Level 2 inputs) at December 31, 2023 and 2022, respectively.

The above amounts are all included under the caption “Interest in assets at Greater Salina Community Foundation” in the statements of financial position.

(Continued)

(14) Adoption of GASB No. 96, *Subscription-Based Information Technology Arrangements*

Effective January 1, 2022, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for information technology subscriptions by governments. This Statement increases the usefulness of a government's financial statements by requiring recognition of certain subscription assets and liabilities for subscriptions that were previously recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. As a result, the Hospital was required to retroactively restate the December 31, 2022 amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance sheet:			
Subscription assets, net	$ 913,379	-	913,379
Current portion of subscription obligations	326,917	-	326,917
Subscription obligations	604,480	-	604,480
Net position – net investment in capital assets	15,208,882	15,226,900	(18,018)
Statements of revenues, expenses and changes in net position:			
Supplies and other	3,180,180	3,537,213	(357,033)
Depreciation and amortization	1,471,647	1,139,509	332,138
Interest expense	(57,698)	(14,785)	(42,913)
Decrease in net position	(94,716)	(76,698)	(18,018)
Net position, end of year	22,646,321	22,664,339	(18,018)
Statement of cash flows:			
Cash paid to suppliers	(2,940,362)	(3,297,395)	357,033
Net cash provided (used) by operating activities	336,362	(20,671)	357,033
Principal payments on subscription obligations	(314,120)	-	(314,120)
Interest paid	(57,698)	(14,785)	(42,913)
Net cash used in capital and related financial activities	(1,024,668)	(667,635)	(357,033)
Operating loss	(1,305,898)	(1,330,793)	(24,895)
Depreciation and amortization	1,471,647	1,139,509	332,138