Kearny County Hospital
A Component Unit of
Kearny County, Kansas



Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022

Kearny County Hospital
A Component Unit of Kearny County, Kansas
June 30, 2023 and 2022

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1551 N. Waterfront Parkway, Suite 300 / Wichita, KS 67206
P 316.265.2811 / **F** 316.265.9405
forvis.com

Independent Auditor's Report

Board of Trustees
Kearny County Hospital
Lakin, Kansas

Opinion

We have audited the financial statements of Kearny County Hospital, a component unit of Kearny County, Kansas, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Kearny County Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Kearny County Hospital as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the provisions of the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Kearny County Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 16* to the financial statements, during the year ended June 30, 2023, Kearny County Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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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 Kearny County 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kearny County Hospital's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kearny County Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kearny County Hospital's basic financial statements. The Operating Income (Loss) by Department – Direct and the Operating Income (Loss) by Department – Allocated are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Operating Income (Loss) by Department – Direct and the Operating Income (Loss) by Department – Allocated is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FORVIS, LLP

Wichita, Kansas
February 15, 2024

Kearny County Hospital
A Component Unit of Kearny County, Kansas
Balance Sheets
June 30, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash and cash equivalents	$ 4,822,132	$ 9,813,861
Short-term investments	5,998,111	-
Patient accounts receivable, net of allowance; 2023 - $1,482,619; 2022 - $1,500,021	2,732,884	2,917,194
Estimated amounts due from third-party payers	116,000	-
Other receivables	574,864	402,729
Employee receivables	34,084	37,994
Leases receivable	43,177	40,647
Supplies	744,112	659,659
Prepaid expenses and other	362,052	336,474
Total current assets	15,427,416	14,208,558
Noncurrent Cash and Investments		
Designated by board of trustees	579,207	1,333,917
Capital Assets, Net	5,099,958	5,190,002
Lease Assets, Net	59,696	109,080
Subscription Assets, Net	4,394,208	-
Other Assets		
Employee receivables	36,490	56,859
Leases receivable	-	43,177
	36,490	100,036
Total assets	$ 25,596,975	$ 20,941,593

See Notes to Financial Statements

Liabilities and Net Position

	2023	2022
Current Liabilities		
Current maturities of long-term debt	$ 33,716	$ 31,658
Current portion of lease liabilities	35,072	67,672
Current portion of subscription liabilities	372,679	-
Accounts payable	1,139,693	698,899
Accrued payroll	635,634	571,132
Accrued vacation	266,274	248,728
Other accrued expenses	359,888	325,281
Estimated amounts due to third-party payers	-	405,000
Advance from Medicare	-	1,206,004
Unearned revenue	360,250	89,690
Total current liabilities	3,203,206	3,644,064
Other Liabilities		
Long-term debt	96,013	70,613
Lease liabilities	8,491	43,563
Subscription liabilities	3,977,583	-
Total other liabilities	4,082,087	114,176
Total liabilities	7,285,293	3,758,240
Deferred Inflows of Resources		
Leases	40,685	81,369
Total deferred inflows of resources	40,685	81,369
Net Position		
Net investment in capital assets	4,986,362	5,085,576
Unrestricted	13,284,635	12,016,408
Total net position	18,270,997	17,101,984
Total liabilities and net position	$ 25,596,975	$ 20,941,593

Kearny County Hospital
A Component Unit of Kearny County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2023 - $1,311,371; 2022 - $2,208,302	$ 24,487,208	$ 24,837,584
Other	3,812,036	3,303,766
Total operating revenues	28,299,244	28,141,350
Operating Expenses		
Salaries and wages	12,850,561	14,802,391
Employee benefits	2,476,450	2,867,485
Purchased services and professional fees	4,611,234	2,992,316
Other supplies and expenses	6,704,347	7,011,409
Depreciation	804,758	1,142,782
Amortization	200,908	58,574
Total operating expenses	27,648,258	28,874,957
Operating Income (Loss)	650,986	(733,607)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Kearny County	-	551,276
Interest income	273,801	50,407
Interest expense	(53,979)	(9,094)
Loss on disposal of capital assets	(22,685)	-
Noncapital grants and gifts	243,084	806,512
Insurance recoveries on capital assets	66,536	-
Provider Relief Funds (*CARES Act*)	-	736,951
Total nonoperating revenues	506,757	2,136,052
Income Before Capital Grants and Gifts	1,157,743	1,402,445
Capital Grants and Gifts	11,270	114,255
Increase in Net Position	1,169,013	1,516,700
Net Position, Beginning of Year	17,101,984	15,585,284
Net Position, End of Year	$ 18,270,997	$ 17,101,984

Kearny County Hospital
A Component Unit of Kearny County, Kansas
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 22,944,514	$ 24,648,804
Payments to suppliers and contractors	(11,159,551)	(9,933,998)
Payments to employees	(15,171,077)	(17,980,354)
Other receipts, net	3,869,777	3,285,120
Net cash provided by operating activities	483,663	19,572
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Kearny County	-	551,276
Noncapital grants and gifts	243,084	806,512
Provider Relief Fund (*CARES Act*)	-	736,951
Net cash provided by noncapital financing activities	243,084	2,094,739
Cash Flows From Capital and Related Financing Activities		
Capital grants and gifts	11,270	114,255
Insurance recoveries on capital assts	66,536	-
Purchases of capital assets	(568,260)	(275,523)
Proceeds from disposal of capital assets	-	58,002
Principal paid on long-term debt	(41,195)	(132,879)
Interest paid on long-term debt	(7,265)	(4,273)
Principal payments received on leases receivable	40,647	38,229
Interest payments received on leases receivable	2,047	3,221
Principal paid on leases payable	(67,672)	(75,765)
Interest paid on leases payable	(2,453)	(4,821)
Principal paid on subscription liability	(121,223)	-
Interest paid on subscription liability	(44,261)	-
Net cash used in capital and related financing activities	(731,829)	(279,554)
Cash Flows From Investing Activities		
Interest income received	271,754	47,186
Change in certificates of deposit	(15,593)	(4,677)
Purchase of investments	(5,998,111)	-
Advances to employees	(15,000)	(67,750)
Net cash used in investing activities	(5,756,950)	(25,241)
Increase (Decrease) in Cash and Cash Equivalents	(5,762,032)	1,809,516
Cash and Cash Equivalents, Beginning of Year	10,584,164	8,774,648
Cash and Cash Equivalents, End of Year	$ 4,822,132	$ 10,584,164

Kearny County Hospital
A Component Unit of Kearny County, Kansas
Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 4,822,132	$ 9,813,861
Designated by board of trustees	-	770,303
	$ 4,822,132	$ 10,584,164
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating income (loss)	$ 650,986	$ (733,607)
Provision for uncollectible accounts	1,311,371	2,208,302
Depreciation	804,758	1,142,782
Amortization	200,908	58,574
Forgiveness of employee receivables	39,279	53,475
Changes in operating assets and liabilities		
Patient accounts receivable	(1,127,061)	(1,686,936)
Estimated amounts due from and to third-party payers	(521,000)	726,466
Advance from Medicare	(1,206,004)	(1,436,612)
Other receivables	(172,135)	11,060
Supplies	(84,453)	(150,420)
Prepaid expenses and other	(99,825)	36,091
Accounts payable and accrued expenses	456,963	(179,897)
Unearned revenue	270,560	10,978
Deferred inflows of resources - leases	(40,684)	(40,684)
Net cash provided by operating activities	$ 483,663	$ 19,572
Noncash Investing, Capital and Financing Activities		
Long-term debt incurred for purchase of capital assets	$ 68,653	$ 104,000
Capital assets acquisitions included in accounts payable	$ 100,486	$ -
Lease obligation incurred for capital assets	$ -	$ 7,113
Additions to leases receivable	$ -	$ 122,053
IT subscription obligation incurred for subscription-based IT assets	$ 4,545,732	$ -

Kearny County Hospital
A Component Unit of Kearny County, Kansas
Notes to Financial Statements
June 30, 2023 and 2022

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

Nature of Operations and Reporting Entity

Kearny County Hospital (Hospital) is an acute care hospital located in Lakin, Kansas. The Hospital is a component unit of Kearny County (County) and governed by a Board of Trustees. The Board of County Commissioners appoints the members of the Board of Trustees. The Hospital primarily earns revenues by providing inpatient, outpatient, emergency care, long-term care and rural health clinic services to patients in the Kearny County area. The Hospital is licensed as a critical access hospital (CAH).

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 or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as county appropriations, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities 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.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. There are no cash equivalents at June 30, 2023 and 2022.

Patient Accounts Receivable

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

Supplies

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

Noncurrent Investments

Noncurrent investments include assets consisting of certificates of deposit, which are carried at amortized cost. The Board of Trustees has designated these certificates of deposit for future capital acquisitions, which may at its discretion later use these designated certificates of deposit for other purposes.

Investments and Investment Income

Investments in U.S. Treasury obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost.

Investment income includes interest income and realized gains and losses on investments carried at other than fair value.

Capital Assets

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

Land improvements	10 – 20 years
Buildings	5 – 40 years
Equipment	5 – 20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially 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, Lease, and Subscription Asset Impairment

The Hospital evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital, lease, 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 June 30, 2023 and 2022.

Compensated Absences

Hospital policies permit most employees to accumulate paid time off that may be realized as paid time off or, in limited circumstances (*i.e.*, resignation), as a cash payment, up to the allowable maximum. Expense and the related liability are recognized as paid time off benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; professional liability; 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.

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Deferred Inflows of Resources

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

Net Position

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

- Net investment in capital assets consists of capital, lease and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings and lease and subscription liabilities used to finance the purchase, construction or lease of those assets.

- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

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

Charity Care

The Hospital provides care 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.

Noncapital Appropriations – Kearny County

The Hospital received approximately 0% and 2% in 2023 and 2022, respectively, of its financial support from proceeds of noncapital appropriations for property taxes.

Property taxes are levied by Kearny County in November of one year and are received beginning in January of the following year. Revenue from noncapital appropriations – Kearny County is recognized in full in the year in which use is first permitted.

Provider Relief Funds (CARES Act)

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

Income Taxes

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

Note 2: Deposits

Deposits

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

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

At June 30, 2023 and 2022, $5,283,632 and $10,988,341 of the Hospital's bank balances of $5,533,632 and $11,238,341, respectively, were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and collateral held by pledging financial institution	$ 5,283,632	$ 10,988,341

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At June 30, 2023 and 2022, the Hospital had $5,998,111 and $0, respectively, of investments in U.S. Treasury obligations with a maturity date of less than one year.

Summary of Carrying Values

The carrying values of deposits, certificates of deposit and investments shown above are included in the balance sheets as follows:

	2023	2022
Carrying value		
Deposits	$ 4,822,132	$ 10,584,164
Certificates of deposit	579,207	563,614
Investments in U.S. Treasury obligations	5,998,111	-
	$ 11,399,450	$ 11,147,778
Included in the following balance sheet captions		
Cash and cash equivalents	$ 4,822,132	$ 9,813,861
Short-term investments	5,998,111	-
Designated by board of trustees	579,207	1,333,917
	$ 11,399,450	$ 11,147,778

Note 3: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at June 30 consisted of:

	2023	2022
Medicare	$ 539,353	$ 546,399
Medicaid	791,893	645,398
Other third-party payers	1,229,104	1,459,663
Patients	1,655,153	1,765,755
	4,215,503	4,417,215
Less allowance for uncollectible accounts	1,482,619	1,500,021
	$ 2,732,884	$ 2,917,194

Note 4: Leases Receivable

The Hospital leases a portion of its space to various third parties, the terms of which expire on June 30, 2024. Payments increase annually at a rate of 3%. The leases were measured based upon the rate at lease commencement.

Revenue recognized under lease contracts during the years ended June 30, 2023 and 2022, were $42,694 and $41,450, respectively, which includes both lease revenue and interest.

Note 5: Capital, Lease, and Subscription Assets

Capital assets activity for the years ended June 30 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 97,298	$ -	$ -	$ -	$ 97,298
Land improvements	634,019	-	-	-	634,019
Buildings	18,616,001	24,650	(41,938)	-	18,598,713
Equipment	7,451,123	210,654	(524,424)	122,065	7,259,418
Construction in progress	-	502,095	-	(122,065)	380,030
	26,798,441	737,399	(566,362)	-	26,969,478
Less accumulated depreciation					
Land improvements	629,327	2,099	-	-	631,426
Buildings	15,075,361	404,574	(33,560)	-	15,446,375
Equipment	5,903,751	398,085	(510,117)	-	5,791,719
	21,608,439	804,758	(543,677)	-	21,869,520
Capital Assets, Net	$ 5,190,002	$ (67,359)	$ (22,685)	$ -	$ 5,099,958

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 97,298	$ -	$ -	$ -	$ 97,298
Land improvements	634,019	-	-	-	634,019
Buildings	18,577,270	38,731	-	-	18,616,001
Equipment	7,214,690	236,433	-	-	7,451,123
Construction in progress	58,002	-	(58,002)	-	-
	26,581,279	275,164	(58,002)	-	26,798,441
Less accumulated depreciation					
Land improvements	605,304	24,023	-	-	629,327
Buildings	14,431,392	643,969	-	-	15,075,361
Equipment	5,428,961	474,790	-	-	5,903,751
	20,465,657	1,142,782	-	-	21,608,439
Capital Assets, Net	$ 6,115,622	$ (867,618)	$ (58,002)	$ -	$ 5,190,002

Lease assets activity for the years ended June 30 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 458,321	$ -	$ -	$ -	$ 458,321
	458,321	-	-	-	458,321
Less accumulated amortization					
Equipment	349,241	49,384	-	-	398,625
	349,241	49,384	-	-	398,625
Lease Assets, Net	$ 109,080	$ (49,384)	$ -	$ -	$ 59,696

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 451,208	$ 7,113	$ -	$ -	$ 458,321
	451,208	7,113	-	-	458,321
Less accumulated amortization					
Equipment	290,667	58,574	-	-	349,241
	290,667	58,574	-	-	349,241
Lease Assets, Net	$ 160,541	$ (51,461)	$ -	$ -	$ 109,080

Subscription assets activity for the years ended June 30 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ -	$ 4,545,732	$ -	$ -	$ 4,545,732
	-	4,545,732	-	-	4,545,732
Less accumulated amortization					
Subscription IT assets	-	151,524	-	-	151,524
	-	151,524	-	-	151,524
Subscription Assets, Net	$ -	$ 4,394,208	$ -	$ -	$ 4,394,208

Note 6: Employee Receivables

The Hospital has entered into loan agreements with certain employees in amounts ranging from $2,500 to $50,000. The loans are to be forgiven ratably over certain time periods following the employees' commencement of employment at the Hospital, by forgiving each installment as it becomes due. Notwithstanding the foregoing, the balances due and owing under the notes shall become immediately due and payable if the employees terminate employment at the Hospital. As of June 30, 2023 and 2022, the balances of the loan receivables were $70,574 and $94,853, respectively. The Hospital forgave $39,279 and $53,475 of the loan receivables for the years ended June 30, 2023 and 2022, respectively.

Note 7: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended June 30:

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Financed capital purchases	$ 102,271	$ 68,653	$ 41,195	$ 129,729	$ 33,716
Lease liabilities	111,235	-	67,672	43,563	35,072
Subscription liabilities	-	4,471,485	121,223	4,350,262	372,679
	$ 213,506	$ 4,540,138	$ 230,090	$ 4,523,554	$ 441,467

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Financed capital purchases	$ 131,150	$ 104,000	$ 132,879	$ 102,271	$ 31,658
Lease liabilities	179,887	7,113	75,765	111,235	67,672
	$ 311,037	$ 111,113	$ 208,644	$ 213,506	$ 99,330

Financed Capital Purchases

Financed capital purchases are in the form of notes payable to bank and/or vendor. They have varying maturities through 2032. Principal and interest is payable monthly. Interest rates range from 0% to 3.48%. The notes are secured by certain capital assets.

The debt service requirements on financed capital purchases as of June 30, 2023, are as follows:

Year Ending June 30	Total to Be Paid	Principal	Interest
2024	$ 37,059	$ 33,716	$ 3,343
2025	37,060	34,692	2,368
2026	37,059	35,687	1,372
2027	22,354	21,905	449
2028	3,751	3,729	22
	$ 137,283	$ 129,729	$ 7,554

Lease Liabilities

The Hospital leases equipment, the terms of which expire in various years through 2027. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of payments under the leases as of June 30, 2023:

Year Ending June 30	Total to Be Paid	Principal	Interest
2024	$ 35,682	$ 35,072	$ 610
2025	4,643	4,456	187
2026	3,337	3,275	62
2027	767	760	7
	$ 44,429	$ 43,563	$ 866

Subscription Liabilities

The Hospital has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2033. The subscription requires monthly payments of approximately $41,000.

The following is a schedule by year of payments under the SBITAs as of June 30, 2023:

Year Ending June 30	Total to Be Paid	Principal	Interest
2024	$ 498,107	$ 372,679	$ 125,428
2025	503,087	389,064	114,023
2026	508,119	405,999	102,120
2027	513,200	423,499	89,701
2028	518,332	441,583	76,749
2029 - 2033	2,487,657	2,317,438	170,219
	$ 5,028,502	$ 4,350,262	$ 678,240

Note 8: Professional Liability Coverage and Claims

The Hospital purchases medical malpractice insurance under a claims-made (or occurrence-basis) policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 9: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to specified annual aggregate amount. Commercial stop-loss insurance coverage is purchased for claims in excess of the specified aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported, and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2023 and 2022 is summarized as follows:

	2023	2022
Balance, beginning of year	$ 100,644	$ 420,987
Current year claims incurred and changes in estimates for claims incurred in prior years	1,097,736	1,208,409
Claims and expenses paid	(1,111,953)	(1,528,752)
	$ 86,427	$ 100,644

Note 10: Net Patient Service Revenue

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

Medicare. The Hospital is recognized as a CAH, and is paid for inpatient acute care, skilled, swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. Medicare Rural Health Clinic services are reimbursed under a cost-based methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future. Services rendered for long-term care facility residents are reimbursed at a prospective rate, with annual cost reports submitted to the Medicaid program. Rates are computed using an average of the three most recent filed calendar cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively. Due to certain financial and clinical criteria, the Hospital also receives Medicaid Disproportionate Share (DSH) funding. DSH payments received were $447,516 and $297,395 in 2023 and 2022, respectively.

Approximately 47% and 45% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for years ended June 30, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 11: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $84,000 and $57,000 for 2023 and 2022, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 12: 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufactures on outpatient pharmaceutical purchases. The Hospital recorded revenues of $2,614,290 and $2,628,439 for the years ended June 30, 2023 and 2022, respectively, which is included in other operating revenues in the accompanying statements of revenues, expenses and changes in net position. The Hospital recorded expenses of $1,408,677 and $1,270,835 for the years ended June 30, 2023 and 2022, respectively, which is included in supplies and other expenses 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 this program at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 13: Pension Plans

Defined Contribution

The Hospital maintains a contributory defined contribution pension plan covering substantially all employees in lieu of social security. Employees are required to contribute the same percentage required under the Social Security laws (OASDI). The Hospital is required to make a matching contribution in the same amount. An additional 3% contribution is made by the Hospital on behalf of all employees continuously employed for three years or more. Voluntary employee contributions may be made up to a specified percent of eligible compensation as specified in the plan document. Employee and employer contributions vest immediately. Benefits are funded by an annuity contract with an insurance company. Contributions made by plan members was $760,071 and $883,964 for the years ended June 30, 2023 and 2022, respectively. Contributions made by the Hospital was $1,025,081 and $1,205,364 for the years ended June 30, 2023 and 2022, respectively.

Deferred Compensation

The Hospital provides a deferred compensation plan (457 Plan) to substantially all employees of the Hospital. The employees may contribute up to 100% of their salary to the 457 Plan. The employees' salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are 100% vested in the contributions they choose to defer. Contributions from employees to the 457 Plan were $124,135 and $160,367 for the years ended June 30, 2023 and 2022, respectively. The Hospital does not contribute to the 457 Plan.

Note 14: COVID-19 Pandemic & *CARES Act* Funding

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the lasting impact of the pandemic unfolds. The Hospital has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and result of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

The Hospital received $0 and $736,951 from the *CARES Act* Provider Relief Fund for the years ended June 30, 2023 and 2022, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Hospital accounts for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through June 30, 2023 and 2022, the Hospital recognized $0 and $736,951, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*) in the statements of revenues, expenses and changes in net position.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

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

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

During the year ended June 30, 2020, the Hospital received $2,869,803 from these accelerated Medicare payment requests. During the years ended June 30, 2023 and 2022, Medicare applied $1,206,004 and $1,436,612, respectively, from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption Advance from Medicare in the accompanying balance sheets. As of June 30, 2023, all Medicare accelerated payments have been recouped.

Other COVID-19 Grant Funding

In November 2021, the Hospital received and recognized $99,493 from a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

In July 2021, the Hospital was awarded a federal grant to not exceed $99,058 as part of the Rural Health Outreach and Rural Network Development Program from the Department of Health and Human Services. The federal award project is titled the Rural Health Clinic Vaccine Confidence Program (RHCVC). The grant period is from July 1, 2021 through June 30, 2022. The RHCVC is a Health Resources and Services Administration (HRSA) initiative to improve vaccine confidence and counter vaccine hesitancy in rural communities where COVID-19 vaccine uptake lags in comparison to more populated areas. The program addressed health equity gaps by offering support resources to medically underserved rural communities. The Hospital received and recognized $30,831 and $68,227 related to this grant for the years ended June 30, 2023 and 2022, respectively. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During the years ended June 30, 2023 and 2022, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received and recognized $24,129 and $11,602 related to the SHIP grant for the years ended June 30, 2023 and 2022, respectively. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 15: Contingencies

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Notes 1* and *8*.

General Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 16: Adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*

Effective July 1, 2021, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. 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 governments' financial statements by requiring recognition of certain subscription assets and liabilities for subscriptions that previously were 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. The Hospital did not have any SBITAs that met the scope of GASB 96 other than the one noted in *Note 7*, which was not effective until March 1, 2023. Thus, there was no requirement for any prior year amounts to be restated.

Supplementary Information

Kearny County Hospital
A Component Unit of Kearny County, Kansas
Operating Income (Loss) by Department - Direct
Years Ended June 30, 2023 and 2022

	June 30, 2023		
	Operating Revenues	Operating Expenses	Operating Income (Loss)
Routine	$ 1,106,429	$ 3,095,276	$ (1,988,847)
Nursery	292,745	110,763	181,982
Labor and Delivery	1,022,380	341,335	681,045
Respiratory Therapy	320,097	191,496	128,601
Operating & Recovery	2,663,364	544,864	2,118,500
Anesthesiology	608,545	757,636	(149,091)
Emergency & Observation	1,224,401	845,114	379,287
Medical Supplies	348,448	317,396	31,052
Dialysis	2,409	2,200	209
Laboratory	3,573,191	1,732,939	1,840,252
EKG, Heart Monitor & Cardiac Rehab	194,853	106,341	88,512
Radiology & Mammography	337,613	461,019	(123,406)
Ultrasound	267,522	120,614	146,908
Drugs & IV Solutions	1,100,263	729,083	371,180
MRI	104,571	49,576	54,995
CT Scans	914,371	135,078	779,293
Nuclear Medicine	29,979	27,336	2,643
Speech Therapy	4,500	4,699	(199)
Physical Therapy	378,237	442,175	(63,938)
Physician & Pain Management	6,035,303	6,499,212	(463,909)
Nursing Home & Assisted Living	3,957,987	4,392,817	(434,830)
340B Drug Program	2,614,290	1,408,677	1,205,613
Other Operating Revenue	1,197,746	-	1,197,746
Nursing Administration	-	306,130	(306,130)
Health Information	-	292,604	(292,604)
Admissions	-	58,769	(58,769)
Dietary	-	554,307	(554,307)
Maintenance	-	218,824	(218,824)
Housekeeping	-	249,197	(249,197)
Information Systems	-	768,567	(768,567)
Laundry	-	163,639	(163,639)
Translation	-	6,322	(6,322)
Accounting & Billing	-	742,049	(742,049)
Administration	-	1,972,204	(1,972,204)
	$ 28,299,244	$ 27,648,258	$ 650,986

June 30, 2022		
Operating Revenues	Operating Expenses	Operating Income (Loss)
$ 1,250,540	$ 2,409,391	$ (1,158,851)
285,058	81,513	203,545
979,242	335,539	643,703
423,860	159,212	264,648
2,450,280	619,369	1,830,911
621,425	821,848	(200,423)
1,207,601	719,820	487,781
345,328	459,099	(113,771)
-	-	-
3,366,157	1,714,437	1,651,720
161,172	107,126	54,046
389,411	460,857	(71,446)
272,591	121,101	151,490
1,442,892	832,920	609,972
100,016	51,690	48,326
896,913	134,735	762,178
18,579	18,250	329
9,688	9,757	(69)
320,697	443,960	(123,263)
6,354,167	7,889,053	(1,534,886)
3,941,967	4,540,765	(598,798)
2,628,439	1,234,450	1,393,989
675,327	-	675,327
-	364,616	(364,616)
-	345,867	(345,867)
-	67,734	(67,734)
-	673,958	(673,958)
-	232,056	(232,056)
-	294,176	(294,176)
-	614,077	(614,077)
-	177,057	(177,057)
-	9,814	(9,814)
-	893,233	(893,233)
-	2,037,477	(2,037,477)
$ 28,141,350	$ 28,874,957	$ (733,607)

Kearny County Hospital
A Component Unit of Kearny County, Kansas
Operating Income (Loss) by Department - Allocated
Years Ended June 30, 2023 and 2022

	June 30, 2023		
	Operating Revenues	Operating Expenses	Operating Income (Loss)
Routine	$ 1,106,429	$ 4,169,772	$ (3,063,343)
Nursery	292,745	199,943	92,802
Labor and Delivery	1,022,380	535,366	487,014
Respiratory Therapy	320,097	310,796	9,301
Operating & Recovery	2,663,364	958,403	1,704,961
Anesthesiology	608,545	721,075	(112,530)
Emergency & Observation	1,224,401	1,210,765	13,636
Medical Supplies	348,448	537,819	(189,371)
Laboratory	3,573,191	2,700,048	873,143
EKG, Heart Monitor & Cardiac Rehab	194,853	138,021	56,832
Radiology & Mammography	337,613	642,871	(305,258)
Ultrasound	267,522	168,191	99,331
Drugs & IV Solutions	1,100,263	980,206	120,057
MRI	104,571	56,820	47,751
CT Scans	914,371	188,360	726,011
Nuclear Medicine	29,979	38,119	(8,140)
Speech Therapy	4,500	7,766	(3,266)
Physical Therapy	378,237	617,183	(238,946)
Physician	6,035,303	6,442,621	(407,318)
Nursing Home & Assisted Living	3,957,987	5,467,572	(1,509,585)
340B Drug Program	2,614,290	1,408,677	1,205,613
Other Operating Revenue	1,197,746	145,499	1,052,247
	$ 28,299,244	$ 27,648,258	$ 650,986

June 30, 2022		
Operating Revenues	Operating Expenses	Operating Income (Loss)
$ 1,250,540	$ 3,620,987	$ (2,370,447)
285,058	189,134	95,924
979,242	499,634	479,608
423,860	225,057	198,803
2,450,280	1,070,203	1,380,077
621,425	791,613	(170,188)
1,207,601	1,060,274	147,327
345,328	741,299	(395,971)
3,366,157	2,707,746	658,411
161,172	144,047	17,125
389,411	690,293	(300,882)
272,591	181,391	91,200
1,442,892	1,128,047	314,845
100,016	59,767	40,249
896,913	201,813	695,100
18,579	27,336	(8,757)
9,688	12,132	(2,444)
320,697	615,664	(294,967)
6,354,167	7,881,144	(1,526,977)
3,941,967	5,579,726	(1,637,759)
2,628,439	1,234,450	1,393,989
675,327	213,200	462,127
$ 28,141,350	$ 28,874,957	$ (733,607)