Independent Auditor's Report and Financial Statements

Goodland Regional Medical Center

December 31, 2024 and 2023

Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	7

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Independent Auditor's Report

Board of Trustees
Goodland Regional Medical Center

Opinion

We have audited the accompanying financial statements of the business-type activities of Goodland Regional Medical Center (Medical Center), a component unit of Sherman County, Kansas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Medical Center as of December 31, 2024 and 2023, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters

As discussed in Note A15 to the financial statements, in 2024 the Medical Center adopted Governmental Accounting Standards Board (GASB) No. 100, *Accounting Changes and Error Corrections*, and Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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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, we:

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

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

Required Supplementary Information

The Medical Center 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
May 9, 2025

Financial Statements

Goodland Regional Medical Center
Statements of Net Position
December 31, 2024 and 2023

Assets

	2024	2023
Current assets		
Cash and invested cash	$ 13,667,900	$ 14,403,741
Patient accounts receivable, net of allowance for uncollectible accounts of $6,542,146 in 2024 and $5,469,961 in 2023 (Note A5)	2,257,714	2,283,186
Other receivables	323,753	542,692
Estimated third-party payor settlements (Note C)	905,784	84,165
Inventories (Note A6)	1,812,256	849,557
Prepaid expenses	166,113	89,273
Total current assets	19,133,520	18,252,614
Assets limited as to use		
By Board of Trustees (Note D)	550,689	548,383
Capital assets - net (Notes A7 and E)		
Capital assets not being depreciated	136,033	334,509
Depreciable capital assets, net of accumulated depreciation	3,037,511	2,228,820
Leased assets, net of accumulated amortization	570,547	883,878
Total capital assets, net	3,744,091	3,447,207
Total assets	$ 23,428,300	$ 22,248,204

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2024	2023
Current liabilities		
Current portion of lease liabilities (Note H)	$ 459,411	$ 455,184
Accounts payable and other accrued expenses	1,116,094	1,035,198
Salaries, wages, and related withholdings payable	672,477	558,622
Accrued compensated absences	605,172	532,365
Estimated third-party payors settlements (Note C)	100,000	100,000
Total current liabilities	2,953,154	2,681,369
Long-term liabilities		
Lease liabilities, net of current portion (Note H)	208,603	668,014
Accrued compensated absences, net of current portion	111,956	80,738
Total long-term liabilities	320,559	748,752
Total liabilities	3,273,713	3,430,121
Net position (Note A9)		
Invested in capital assets, net of related debt	3,076,077	2,324,009
Unrestricted	17,078,510	16,494,074
Total net position	20,154,587	18,818,083
Total liabilities and net position	$ 23,428,300	$ 22,248,204

Goodland Regional Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2024 and 2023

	2024	2023
Operating revenues		
Net patient service revenue	$20,902,885	$20,760,212
Other	4,043,241	2,985,650
Total operating revenues	24,946,126	23,745,862
Operating expenses		
Salaries and wages	9,353,611	8,556,798
Employee benefits	2,248,586	1,966,046
Supplies	5,054,856	4,565,568
Purchased services	1,727,945	1,666,481
Professional fees	4,918,855	4,695,162
Lease and rental expense	424,891	411,540
Utilities	268,692	255,954
Insurance	164,871	132,908
Travel	50,064	21,379
Other	316,086	261,604
Depreciation and amortization	759,293	679,909
Total operating expenses	25,287,750	23,213,349
Operating income (loss)	(341,624)	532,513
Nonoperating revenues (expenses)		
County appropriations	672,959	634,100
Interest income	518,318	270,004
Interest expense	(21,769)	(31,805)
Gain on disposal of assets		665
COVID-19 grant revenue	233,507	
Noncapital grants and contributions	96,514	38,836
Total nonoperating revenues	1,499,529	911,800
Revenues over expenses before capital grants and contributions	1,157,905	1,444,313
Capital grants and contributions	178,599	23,254
Change in net position	1,336,504	1,467,567
Net position at beginning of year		
As previously reported	19,000,012	17,445,249
Prior period adjustment for change in accounting principle	(181,929)	(94,733)
As restated	18,818,083	17,350,516
Net position at end of year	$20,154,587	$18,818,083

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Statements of Cash Flows
Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 20,106,738	$ 22,074,768
Payments to or on behalf of employees	(11,384,317)	(10,338,101)
Payments to suppliers	(13,479,098)	(12,659,037)
Other receipts and payments	4,043,241	2,985,650
Net cash provided (used) by operating activities	(713,436)	2,063,280
Cash flows from noncapital financing activities		
County appropriations	672,959	634,100
Noncapital grants and contributions	330,021	38,836
Net cash provided by noncapital financing activities	1,002,980	672,936
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,233,609)	(141,903)
Contributions for purchase of capital assets	178,599	23,254
Proceeds from disposal of capital assets		665
Principal payments on lease liabilities	(455,184)	(445,148)
Interest paid on lease liabilities	(21,769)	(31,805)
Net cash used by capital and related financing activities	(1,531,963)	(594,937)
Cash flows from investing activities		
Scholarship advances	(9,434)	
Interest received	518,318	270,004
Net cash provided by investing activities	508,884	270,004
Change in cash and cash equivalents	(733,535)	2,411,283
Cash and cash equivalents at beginning of year	14,952,124	12,540,841
Cash and cash equivalents at end of year	$ 14,218,589	$ 14,952,124

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Statements of Cash Flows - Continued
Years ended December 31, 2024 and 2023

	2024	2023
Reconciliation of cash and cash equivalents to the statements of financial position		
Cash and cash equivalents included in current assets	$ 13,667,900	$ 14,403,741
Cash included in assets limited as to use	550,689	548,383
	$ 14,218,589	$ 14,952,124
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	$ (341,624)	$ 532,513
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization	759,293	679,909
Provision for bad debts	1,611,986	1,428,380
Amortization of student and other loans	4,442	13,292
Changes in		
Accounts receivable	(1,362,583)	(1,664,786)
Estimated third-party payor settlements	(821,619)	1,320,661
Inventories and prepaid expenses	(1,039,539)	(182,134)
Accounts payable and accrued expenses	476,208	(64,555)
Net cash provided (used) by operating activities	$ (713,436)	$ 2,063,280

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Notes to Financial Statements
December 31, 2024 and 2023

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

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Financial reporting entity

Goodland Regional Medical Center (Medical Center) is located in Goodland, Kansas, and operates a 24-bed hospital. The Medical Center also provides rural health clinic services to the community. The Medical Center is owned by Sherman County, Kansas (County), and is governed by a seven-member Board of Trustees appointed by the County Commissioners. The Medical Center is a component unit of the County.

The Goodland Medical Foundation, Inc. (Foundation), is a component unit of the Medical Center. Management has determined that the assets of the Foundation as of December 31, 2024 and 2023, are not material to the financial statements of the Medical Center and, thus, the 2024 and 2023 financial statements do not include the financial data of the Foundation.

2. Basis of accounting

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

3. Use of estimates

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

4. Cash and cash equivalents

The Medical Center considers all highly-liquid investment instruments, including assets designated by the Board of Trustees, purchased with a maturity of twelve months or less to be cash and cash equivalents.

5. Patient accounts receivable

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

6. Inventories

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

7. Capital assets

Capital assets are stated at historical cost. Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

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

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

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

8. Accrued compensated absences

Medical Center employees earn paid time off at varying rates depending on years of service. Paid time off benefits vest to the employee and are paid at the time of termination, provided certain requirements are met. The Medical Center provides conversion privileges which allow eligible employees to sell-back paid time off to the Medical Center to satisfy medical debts or as a cash distribution at 75 percent of employee's base hourly rate net of applicable federal and state withholdings.

In the event of an employee's extended illness or injury, the Medical Center also offers extended illness bank (EIB) benefits to eligible employees. EIB amounts vest to the employee, but are not paid out if an employee terminates employment at the Medical Center. Full-time and part-time employees are required to utilize paid time off hours equivalent to three scheduled work days prior to accessing their extended illness bank, unless testing positive for a qualifying contagious illness, then extended illness bank access is effective immediately. The Medical Center estimates a liability for vested EIB based on historical usage by employees.

9. Net position

Net position is classified in two components. "Net position invested in capital assets net of related debt" consists of capital assets net of accumulated depreciation and amortization and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Unrestricted net position" is the remaining net position that does not meet the definition of "invested in capital assets net of related debt."

10. Operating revenues and expenses

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

11. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, the provision for bad debts, and contractual adjustments, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

12. Charity care

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

13. Grants and contributions

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

14. Income taxes

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

15. Adoption of accounting pronouncements

Effective January 1, 2024, the Medical Center adopted Government Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections.* GASB 100 provides enhanced accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information. It also addresses the impact of accounting changes and error corrections on required and other supplementary information. GASB 100 requires disclosures for accounting changes and error corrections to include descriptive information about accounting changes and error corrections and information about the quantitative effects on beginning balances from accounting changes and error corrections.

Effective January 1, 2024, the Medical Center adopted GASB Statement No. 101, *Compensated Absences.* GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services the employee already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, an entity should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. GASB 101 requires a retrospective application as of the beginning of the earliest period presented (i.e., January 1, 2023). Comparative prior year financial statements have been adjusted to apply this standard retrospectively, which resulted in a beginning net position adjustment of $94,733. See Note N for amounts restated.

16. Subsequent events

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

Note B - Charity Care

The Medical Center maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under its charity care policy for 2024 and 2023, was $280,208 and $296,167, respectively. The Medical Center estimates that the cost of providing charity care, based on overall cost to charge ratios obtained from the Medical Center's cost reports, was $151,000 and $161,000 for 2024 and 2023, respectively.

Note C - Reimbursement Programs

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

Medicare - Services rendered to Medicare program beneficiaries are paid under the provisions applicable to critical access hospitals. Payments to the Medical Center under the critical access hospital provisions are primarily based on various cost reimbursement methodologies. Physician services are generally paid at prospectively determined rates. The Medical Center is paid for cost reimbursable items at a tentative rate with the final settlement determined after submission of annual cost reports by the Medical Center and audits or reviews thereof by the Medicare administrative contractor. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medical Center's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2022.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Medical Center receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis and are not subject to retroactive adjustment. The Medical Center also receives disproportionate share hospital payments based on uncompensated care related to Medicaid and uninsured patients. Third-party contractual adjustments include approximately $221,000 and $157,000 of disproportionate share Medicaid payments received by the Medical Center for the years ended December 31, 2024 and 2023, respectively.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 65 and 5 percent, respectively, of the Medical Center's net patient service revenue during 2024 and 62 and 6 percent, respectively, of the Medical Center's net patient service revenue during 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

Note C - Reimbursement Programs - Continued

A summary of gross and net patient service revenue follows:

	2024	2023
Gross patient service revenue	$ 42,192,679	$ 39,599,340
Adjustments to patient service revenue		
Third-party contractual adjustments, discounts, and allowances	(19,397,600)	(17,114,581)
Provision for bad debts	(1,611,986)	(1,428,380)
Charity care	(280,208)	(296,167)
Net patient service revenue	$ 20,902,885	$ 20,760,212

Note D - Assets Limited as to Use

Assets limited as to use consists of invested cash designated by the Board of Trustees to be used for replacement of capital assets or for the purchase of additional capital assets. The funds may be used for other purposes by action of the Board of Trustees.

Note E - Capital Assets

Medical Center capital asset additions, retirements, and balances are as follows:

	2024			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 65,840	$ -	$ -	$ 65,840
Projects in progress	268,669	140,000	338,476	70,193
Total capital assets not being depreciated	334,509	140,000	338,476	136,033
Capital assets being depreciated				
Land improvements	229,158			229,158
Buildings	3,981,455	480,506		4,461,961
Fixed equipment	2,091,006	79,873	30,722	2,140,157
Major movable equipment	5,219,758	694,275	378,337	5,535,696
Total capital assets being depreciated	11,521,377	1,254,654	409,059	12,366,972
Less accumulated depreciation and amortization				
Land improvements	213,118	1,305		214,423
Buildings	3,410,249	79,649		3,489,898
Fixed equipment	1,682,435	60,752	30,722	1,712,465
Major movable equipment	3,986,755	304,257	378,337	3,912,675
Total accumulated depreciation and amortization	9,292,557	445,963	409,059	9,329,461
Total capital assets being depreciated, net	2,228,820	808,691	-	3,037,511
Leased assets				
Major movable equipment	2,471,568			2,471,568
Less accumulated amortization	1,587,690	313,331		1,901,021
Leased assets, net	883,878	(313,331)	-	570,547
Total capital assets, net	$ 3,447,207	$ 635,360	$ 338,476	$ 3,744,091

Note E - Capital Assets - Continued

	2023			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 65,840	$ -	$ -	$ 65,840
Projects in progress	259,478	9,191		268,669
Total capital assets not being depreciated	325,318	9,191	-	334,509
Capital assets being depreciated				
Land improvements	229,158			229,158
Buildings	3,827,277	154,178		3,981,455
Fixed equipment	2,108,280		17,274	2,091,006
Major movable equipment	9,373,836	155,966	4,310,044	5,219,758
Total capital assets being depreciated	15,538,551	310,144	4,327,318	11,521,377
Less accumulated depreciation and amortization				
Land improvements	211,377	1,741		213,118
Buildings	3,367,820	42,429		3,410,249
Fixed equipment	1,635,249	64,460	17,274	1,682,435
Major movable equipment	8,057,136	239,663	4,310,044	3,986,755
Total accumulated depreciation and amortization	13,271,582	348,293	4,327,318	9,292,557
Total capital assets being depreciated, net	2,266,969	(38,149)	-	2,228,820
Leased assets				
Major movable equipment	2,471,568			2,471,568
Less accumulated amortization	1,256,074	331,616		1,587,690
Leased assets, net	1,215,494	(331,616)	-	883,878
Total capital assets, net	$ 3,807,781	$ (360,574)	$ -	$ 3,447,207

Note F - Accrued Compensated Absences

The Medical Center offers compensated absences to eligible employees in the form of paid time off and extended illness bank (EIB). The Medical Center will pay out unused vacation benefits upon termination provided certain requirements are met. Employees vest in the EIB benefits, but any unused EIB benefits will not be paid out upon termination. The Medical Center accrues a liability for the vested vacation leave and an estimate of the vested EIB benefits to be used by employees.

Note F - Accrued Compensated Absences - Continued

Accrued compensated absences consist of the following:

	2024	2023
Estimated accrued compensated absences	$ 717,128	$ 613,103
Less current portion	605,172	532,365
Noncurrent portion of accrued compensated absences	$ 111,956	$ 80,738

The following is a summary of the changes in accrued compensated absences:

Accrued compensated absences at January 1, 2023	$ 465,825
Net change	147,278
Accrued compensated absences at December 31, 2023	613,103
Net change	104,025
Accrued compensated absences at December 31, 2024	$ 717,128

Note G - COVID-19 Grant Revenue

COVID-19 grant revenue consists of federal financial assistance received through two sources. One of which was received through the U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) to reimburse the Medical Center for necessary medical supplies and equipment purchased to prevent the spread of COVID-19 infection from January 20, 2020 to May 11, 2023. The other was through the U.S Department of Health and Human Services, Assistant Secretary for Preparedness and Response (ASPR) to reimburse the Medical Center for personal protective equipment, supplies, and equipment acquired from April 10, 2023 to February 15, 2024.

During the year ended December 31, 2024, the Medical Center recognized $221,772 of FEMA funding and $11,735 of ASPR funding for a total of $233,507 as nonoperating COVID-19 grant revenue.

Note H - Lease Liabilities

Lease liabilities are summarized as follows:

	2024	2023
Equipment lease liabilities; implied interest rates ranging from 0.57 - 6.61%; payable in monthly installments ranging from $680 - $22,344 through March 2025 - May 2027	$ 668,014	$ 1,123,198
Less current maturities of lease liabilities	(459,411)	(455,184)
Noncurrent portion	$ 208,603	$ 668,014

Note H - Lease Liabilities - Continued

The following is a summary of changes in lease liabilities:

Outstanding at January 1, 2023	$ 1,568,346
Principal payments	(445,148)
Outstanding at December 31, 2023	1,123,198
Principal payments	(455,184)
Outstanding at December 31, 2024	$ 668,014

Scheduled future lease liability payments are as follows:

	Principal	Interest	Total
2025	$ 459,411	$ 11,422	$ 470,833
2026	172,545	3,520	176,065
2027	36,058	333	36,391
	$ 668,014	$ 15,275	$ 683,289

Rental expense for all leases consisted of the following:

	2024	2023
Amortization of leased assets	$ 313,331	$ 331,616
Interest on lease liabilities	21,769	31,805
Short-term leases	421,453	410,027
	$ 756,553	$ 773,448

Note I - Risk Management

The Medical Center 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 Medical Center 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 Medical Center 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. All coverage is on a claims-made basis. The above policies are currently in effect through February 15, 2026. The Medical Center intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Medical Center purchases commercial insurance for these risks.

Note J - Deposits with Financial Institutions

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 Medical Center's deposit policy of custodial credit risk requires compliance with the provisions of state law.

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

The carrying amount of the Medical Center's deposits with financial institutions was $14,212,918, and the bank balances were $14,532,717 at December 31, 2024.

The bank balance is categorized as follows at December 31, 2024:

Amount insured by the F.D.I.C., or collateralized with securities held by the Medical Center or by its agent in the Medical Center's name	$ 14,310,041
Uncollateralized (amount collateralized with securities held in safekeeping by an authorized depository other than the pledging financial institution's trust department, but not in the Medical Center's name)	221,681
Uninsured and uncollateralized	995
	$ 14,532,717

Note K - Pension Plan

The Medical Center provides pension benefits for certain full-time employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The payroll for employees covered by the plan for 2024 and 2023 was approximately $7,286,000 and $6,720,000, respectively. The total payroll for 2024 and 2023 was approximately $9,354,000 and $8,557,000, respectively.

Employees must be at least 21 years of age to be eligible to participate. All employees must have completed one year of service at the Medical Center to be eligible. The plan provides that the employee contribute 2.0 percent of the employee's annual salary and the Medical Center contribute 4.0 percent of the employee's annual salary.

Contributions to the plan made by an employee vest immediately and contributions to the plan made by the Medical Center vest based upon the plan vesting schedule and the employee's years of service with the Medical Center. Contributions to the plan are invested in annuity contracts with an insurance company. Total contributions to the plan during 2024 were approximately $697,000, which consisted of employer contributions of approximately $295,000 and employee contributions of approximately $402,000. These contributions represented 4.1 percent and 5.5 percent of covered payroll, respectively. Total contributions to the plan during 2023 were approximately $616,000, which consisted of employer contributions of approximately $269,000 and employee contributions of approximately $347,000. These contributions represented 4.0 percent and 5.2 percent of covered payroll, respectively.

Note L - Employee and Dependent Health Insurance Plan

The Medical Center sponsors an employee benefit plan which provides partially self-insured employee and dependent health insurance benefits for which substantially all full-time employees of the Medical Center are eligible. The Medical Center has agreed to fund the plan for annual costs and expenses of the plan including costs of benefits and insurance premiums and to withhold and remit to the plan any required employee contributions.

The Medical Center has reinsured a portion of its risk for health insurance claims of its employees. The reinsurance arrangement generally covers claims totaling over $50,000 for each covered individual on an annual basis. The reinsurance arrangement also provides annual aggregate claims coverage for the Medical Center. The Medical Center has appointed an independent third party to provide administrative services to the plan which include review and payment of claims.

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

	2024	2023
Estimated liability for employee health insurance claims at the beginning of the year	$ 107,319	$ 106,669
Provision for Medical Center's share of incurred claims and reinsurance expense for the year, net of any reinsurance proceeds	871,039	769,792
Employee contributions	243,784	228,229
Payments made for claims and related expenses	(1,087,443)	(997,371)
Estimated liability for employee health insurance claims at the end of the year (included in salaries, wages, and related withholdings payable in the statements of net position)	$ 134,699	$ 107,319

Note M – Related-party Transactions

Sherman County levies and collects property taxes for the benefit of the Medical Center. The Medical Center received $672,959 and $634,100 in tax appropriations from Sherman County in 2024 and 2023, respectively. The Medical Center also received $273,726 and $16,680 in contributions from the Foundation during 2024 and 2023, respectively.

Note N - Adoption of New Accounting Standard

The Medical Center adopted GASB Statement No. 101, *Compensated Absences* (GASB 101) as of January 1, 2024. The following changes were made to the 2023 amounts in adoption of GASB 101:

	Amount as previously reported	Adoption of accounting standard	Amount as restated
Statement of Net Position			
Liabilities and Net Position			
Accrued compensated absences	$ 431,174	$ 101,191	$ 532,365
Total current liabilities	2,580,178	101,191	2,681,369
Accrued compensated absences, net of current portion		80,738	80,738
Total long-term liabilities	668,014	80,738	748,752
Total liabilities	3,248,192	181,929	3,430,121
Net position, unrestricted	16,676,003	(181,929)	16,494,074
Total net position	19,000,012	(181,929)	18,818,083
Statement of Revenues, Expenses, and Changes in Net Position			
Operating expenses			
Salaries and wages	8,469,602	87,196	8,556,798
Total operating expenses	23,126,153	87,196	23,213,349
Operating income	619,709	(87,196)	532,513
Revenues over expenses before capital grants and contributions	1,531,509	(87,196)	1,444,313
Change in net position	1,554,763	(87,196)	1,467,567
Statement of Cash Flows			
Reconciliation of operating income to net cash provided by operating activities			
Operating income	619,709	(87,196)	532,513
Changes in assets and liabilities			
Accounts payable and accrued expenses	(151,751)	87,196	(64,555)