Independent Auditor's Report and Financial Statements

Anderson County Hospital

December 31, 2023 and 2022

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Anderson County Hospital
Management's Discussion and Analysis
Years ended December 31, 2023 and 2022

Our discussion and analysis of the financial performance of Anderson County Hospital provides a narrative overview of the Hospital's financial activities for the years ended December 31, 2023 and 2022. Please read it in conjunction with the accompanying basic financial statements.

Financial highlights

The Hospital's net position decreased by $1,373,376 or 10.4 percent and by $1,553,503 or 10.5 percent during the 2023 and 2022 fiscal years, respectively.

The net position of Anderson County Hospital Foundation (the Foundation), a component unit of the Hospital, increased by $554,708 or 78.5 percent in 2023 and by $294,232 or 71.3 percent in 2022.

Using these financial statements

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

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

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

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

Assets, liabilities, and net position

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

	2023	2022	2021
Assets			
Current assets	$ 1,148,996	$ 1,417,967	$ 1,313,741
Assets limited as to use	708,317	701,963	687,072
Capital assets, net	10,493,912	11,883,041	13,443,664
Other assets	4,804,303	1,561,391	2,625,673
Total assets	$17,155,528	$15,564,362	$18,070,150
Liabilities			
Current liabilities	$ 13,500	$ 13,499	$ 13,499
Deferred inflows of resources	$ 5,296,615	$ 2,332,074	$ 3,284,359
Net position	$11,845,413	$13,218,789	$14,772,292

Net capital assets decreased during 2023, 2022, and 2021, due to depreciation expense exceeding acquisitions.

On April 2, 2013, a majority of the qualified electors of Anderson County, Kansas (the County), approved, at a special bond election, the question whether to issue general obligation bonds of the County in an amount not to exceed $25,455,000 to pay the cost of constructing a new hospital facility and to advance refund a portion of the County's Series 2005-A General Obligation Refunding and Improvement Bonds. The County issued its General Obligation Refunding and Improvement Bonds, Series 2013-A, on August 1, 2013, in the amount of $25,455,000. Upon issuance of the bonds, the Hospital received $24,097,774 from the bond proceeds which was recorded as a capital contribution.

The Hospital's net position decreased by $1,373,376 or 10.4 percent and $1,553,503 or 10.5 percent during the 2023 and 2022 fiscal years, respectively.

Operating results and changes in net position

The Hospital's operating results and changes in net position for each of the last three years are summarized as follows:

	2023	2022	2021
Operating revenues	$ 765,754	$ 1,037,619	$ 1,011,622
Operating expenses	1,590,638	1,660,185	1,664,513
Operating loss	(824,884)	(622,566)	(652,891)
Investment income	370,077	75,656	98,309
Noncapital grants and contributions	235	2,485	65
Gain on disposal of capital assets		118	
Capital grants and contributions	105,196	14,804	30,000
Transfers to Anderson County	(1,024,000)	(1,024,000)	(1,024,000)
Change in net position	$ (1,373,376)	$ (1,553,503)	$ (1,548,517)

Typically, the most significant component of the overall change in the Hospital's net position is its operating income (loss) - generally, the difference between rent income and the expenses incurred in connection with the rental activity.

Operating expenses consist primarily of depreciation on capital assets: $1,562,029, $1,631,449, and $1,638,829 during each of the years ended December 31, 2023, 2022, and 2021, respectively.

The Hospital has agreed to transfer the lease payments received from Saint Luke's Hospital under the Restated Lease to the County for the purpose of making principal and interest payments on the bonds as they come due. The Hospital transferred $1,024,000 to the County during the 2023, 2022, and 2021 fiscal years to pay principal and interest due on bonds.

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Independent Auditor's Report

Board of Trustees
Anderson County Hospital

Opinions

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Anderson County Hospital (the Hospital), a component unit of Anderson County, Kansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Hospital, as of December 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 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 opinions. 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. 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.

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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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information on page 20, is presented for purposes of additional analysis and is 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
May 7, 2024

Financial Statements

Anderson County Hospital
Statements of Net Position
December 31, 2023 and 2022

Assets

	2023		2022	
	Hospital	Component unit	Hospital	Component unit
Current assets				
Cash and cash equivalents	$ 358,919	$ 149,866	$ 349,574	$ 93,978
Prepaid expenses	2,350		2,466	
Lease receivables	785,912		1,064,283	
Other receivables	1,815		1,644	
Total current assets	1,148,996	149,866	1,417,967	93,978
Assets limited as to use				
Internally designated	496,984	739,114	446,643	604,094
Under indenture agreements - held by trustee	816		816	
By contributors				
For nurse training	210,517		207,196	
For COVID-19 expenses		9,000		9,000
For capital acquisitions			47,308	
Total assets limited as to use	708,317	748,114	701,963	613,094
Capital assets, net	10,493,912		11,883,041	
Other assets				
Lease receivables, less current portion	4,418,495		1,175,583	
Investments		363,800		
Due from lessee	385,808		385,808	
Total other assets	4,804,303	363,800	1,561,391	-
Total assets	$17,155,528	$ 1,261,780	$15,564,362	$ 707,072

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	2023		2022	
	Hospital	Component unit	Hospital	Component unit
Current liabilities				
Accounts payable	$ 13,500	$ -	$ 13,499	$ -
Total liabilities	13,500	-	13,499	-
Deferred inflows of resources	5,296,615	-	2,332,074	-
Net position				
Invested in capital assets - net of related debt	10,493,911		11,883,041	
Restricted				
For debt service	816		816	
Expendable for capital acquisitions			47,308	
For specific operating activities	210,517	9,000	207,196	9,000
Unrestricted	1,140,169	1,252,780	1,080,428	698,072
Total net position	11,845,413	1,261,780	13,218,789	707,072
Total liabilities, deferred inflows of resources, and net position	$17,155,528	$ 1,261,780	$15,564,362	$ 707,072

Anderson County Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2023 and 2022

	2023		2022	
	Hospital	Component unit	Hospital	Component unit
Operating revenues				
Medical office building rent	$ 79,337	$ -	$ 77,350	$ -
Hospital rent	686,417		960,269	
Total operating revenues	765,754	-	1,037,619	-
Operating expenses				
Supplies and other expenses	28,609	5,949	28,736	5,637
Depreciation and amortization	1,562,029		1,631,449	
Total operating expenses	1,590,638	5,949	1,660,185	5,637
Operating loss	(824,884)	(5,949)	(622,566)	(5,637)
Nonoperating revenues (expenses)				
Investment income (loss)	370,077	177,492	75,656	(78,470)
Noncapital grants and contributions	235	383,165	2,485	378,339
Gain on disposal of capital assets			118	
Total nonoperating revenues	370,312	560,657	78,259	299,869
Excess of revenues over (under) expenses before capital grants and contributions	(454,572)	554,708	(544,307)	294,232
Capital grants and contributions	105,196		14,804	
Transfers to Anderson County	(1,024,000)		(1,024,000)	
Change in net position	(1,373,376)	554,708	(1,553,503)	294,232
Net position at beginning of year	13,218,789	707,072	14,772,292	412,840
Net position at end of year	$11,845,413	$ 1,261,780	$ 13,218,789	$ 707,072

The accompanying notes are an integral part of these statements.

Anderson County Hospital
Statements of Cash Flows
Years ended December 31, 2023 and 2022

	2023		2022	
	Hospital	Component unit	Hospital	Component unit
Cash flows from operating activities				
Receipts from lessee	$ 765,754	$ -	$ 1,122,951	$ -
Payments for supplies and services	(28,492)	(5,949)	(28,808)	(5,637)
Net cash provided (used) by operating activities	737,262	(5,949)	1,094,143	(5,637)
Cash flows from noncapital financing activities				
Noncapital grants and contributions	235	56,065	2,485	378,339
Cash flows from capital and related financing activities				
Acquisition of capital assets	(172,900)		(70,990)	
Capital grants and contributions	105,196		14,804	
Proceeds from sale of capital assets			282	
Transfers to Anderson County	(1,024,000)		(1,024,000)	
Net cash used by capital and related financing activities	(1,091,704)	-	(1,079,904)	-
Cash flows from investing activities				
Change in assets limited as to use		(18,323)		(396,124)
Investment income received	368,587	23,149	75,423	11,774
Net cash provided (used) by investing activities	368,587	4,826	75,423	(384,350)
Net change in cash and cash equivalents	14,380	54,942	92,147	(11,648)
Cash and cash equivalents at beginning of year	1,050,275	113,977	958,128	125,625
Cash and cash equivalents at end of year	$ 1,064,655	$ 168,919	$ 1,050,275	$ 113,977
Supplmental information				
Non-cash noncapital financing activities				
Donated stock	$ -	$ 327,100	$ -	$ -

Anderson County Hospital
Statements of Cash Flows - Continued
Years ended December 31, 2023 and 2022

	2023		2022	
	Hospital	Component unit	Hospital	Component unit
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	$ 358,919	$ 149,866	$ 349,574	$ 93,978
Cash included in assets limited as to use				
Internally designated	496,984	10,053	446,643	10,999
By contributors				
For nurse training	208,752		206,750	
For COVID-19 expenses		9,000		9,000
For capital acquisitions			47,308	
Total cash and cash equivalents	$ 1,064,655	$ 168,919	$ 1,050,275	$ 113,977
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	$ (824,884)	$ (5,949)	$ (622,566)	$ (5,637)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation and amortization	1,562,029		1,631,449	
Changes in				
Prepaid expenses	116		(72)	
Accounts payable	1			
Deferred inflows of resources			85,332	
Net cash provided (used) by operating activities	$ 737,262	$ (5,949)	$ 1,094,143	$ (5,637)

The accompanying notes are an integral part of these statements.

Anderson County Hospital
Notes to Financial Statements
December 31, 2023 and 2022

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

1. Reporting entity

Anderson County Hospital (the Hospital) is a county hospital located in Garnett, Kansas. The Hospital was organized in 1947 and is operated under Kansas statutes as an entity legally separate from Anderson County (the County). Its Board of Trustees is appointed by the Board of County Commissioners of the County. The Hospital can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County. For financial statement purposes, the Hospital is a discretely presented component unit of the County.

On October 1, 1997, the Hospital's Board of Trustees leased to Saint Luke's Hospital of Garnett (Saint Luke's) all of the real estate, equipment, and facilities constituting the Hospital for a period of eight years and it also transferred to Saint Luke's all nonrestricted current assets and current liabilities as then recorded on the books of the Hospital.

On June 24, 2013, the lease was amended and restated (Restated Lease) in anticipation of the County incurring $25,455,000 of debt to finance construction of a new hospital facility. The Restated Lease is for an initial term of ten years commencing on January 29, 2015, the date that Saint Luke's occupied the new facility. Effective January 29, 2015, Saint Luke's makes annual lease payments to the Hospital of $1,024,000 in monthly installments of $85,333. The Restated Lease will automatically renew for five additional five-year periods unless Saint Luke's gives notice two years prior to the expiration of the initial or any renewal term.

Upon termination of the Restated Lease, Saint Luke's will return to the Board of Trustees all nonrestricted current assets and current liabilities as then recorded on the books of the hospital operation. A comparison will also then be made of the amount of current assets less current liabilities at the commencement and termination of the lease. If the amount of net current assets has decreased, Saint Luke's will pay an amount equal to that decrease to the Board of Trustees. If the amount of net current assets has increased, the Board of Trustees will pay an amount equal to that increase to Saint Luke's.

For financial reporting purposes, the Hospital has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria including appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital.

2. Discretely presented

The Foundation is a legally separate component unit of the Hospital. The Foundation is administered by a Board of Directors. Two of the fourteen members of the Foundation's board are also members of the Hospital's Board of Trustees. Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the Hospital by the donors or are provided to the Hospital for its programs. Because the majority of resources held by the Foundation can only be used by, or for the benefit of, the Hospital and for the benefit of patients served by the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

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.

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

4. Basis of accounting

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

5. Cash and cash equivalents

Cash and cash equivalents include all cash, all certificates of deposit, money market funds, and funds invested in the overnight pool of the State Treasurer's investment pool, excluding any assets limited as to use under indenture agreements held by trustee.

6. Investments and investment income

Investments in equity securities with readily determinable fair values are measured at fair value. Investments without readily determinable fair vale are measured at net asset value. Interest, dividends, gains and losses both realized and unrealized are included in nonoperating revenues.

7. Assets limited as to use

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

8. Capital assets

Capital assets are stated at 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.

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.

9. Lease receivables

Lease receivables are recorded at the present value of the lease payments over the lease term using the implicit rate of return of the lease or the incremental borrowing rate. Rental escalation clauses and renewal options are factored into the determination of lease payments when appropriate. The current portion of the lease receivables are reported in current assets.

10. Deferred inflows of resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Hospital's deferred inflows of resources pertain to lease agreements and are equal to the lease receivables plus any prepayments for future periods.

11. Grants and contributions

From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for specific operating purposes or capital

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

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.

12. Net position

Net position of the Hospital is classified into three components. "Net position invested in capital assets net of related debt" consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted expendable net position" is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, contributors, or others external to the Hospital, including amounts deposited with trustees as required by indenture agreements. "Unrestricted net position" is the remaining net position that does not meet the definitions of the other two components of net position.

13. Operating revenues and expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with the rental of the medical office building and the hospital facility, which is the Hospital's principal activity. Nonexchange revenues, including noncapital grants and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred in connection with the rental of the medical office building and the hospital facility, other than financing costs.

14. Income taxes

The Hospital is a county hospital and is, therefore, exempt from federal income taxes under Section 115 of the Internal Revenue Code.

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code. Management is not aware of any uncertainties in income tax positions. The years ended December 31, 2023, 2022, 2021, and 2020, remain subject to examination for both federal and state purposes.

15. Adoption of accounting pronouncements

Effective January 1, 2023, the Hospital and Foundation adopted Government Accounting Standards Board (GASB) Statement 96, *Subscription-based information technology arrangements* (SBITAs). GASB 96 establishes standards for financial reporting of SBITAs by users and defines a SBITA as a contract that conveys the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in a contract for a period of time in an exchange or exchange like transaction. Under GASB 96, a SBITA user is required to recognize an intangible right-to-use subscription asset and a subscription liability. GASB 96 requires a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest period presented (i.e., January 1, 2022). The Hospital and Foundation assessed SBITAs determining they were not material to the financial statements and, therefore, no subscription assets or liabilities were recorded as a result of implementing GASB 96.

16. Subsequent events

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

Note B - Deposits with Financial Institutions

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

Kansas statutes authorize the Hospital, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, and the State Treasurer's investment pool. Kansas statutes also require that collateral be pledged for bank deposits with a fair market value equal to 100 percent of the uninsured amounts, and must be assigned for the benefit of the Hospital.

At December 31, 2023, the carrying amount and the bank balances of the Hospital's bank deposits, including certificates of deposit, were $946,909. Of the bank balances, $789,368 was covered by federal depository insurance, and $157,541 was covered by collateral held by a third-party bank, but not registered in the Hospital's name.

The Hospital's bank deposits are included in the financial statements under the following categories:

Cash and cash equivalents	$ 240,357
Assets limited as to use	
Internally designated	496,984
Under indenture agreement - held by trustee	816
By contributors for nurse training	208,752
Total bank deposits	$ 946,909

Note C - Assets Limited as to Use

The composition of the Hospital's assets limited as to use is as follows:

	2023	2022
Internally designated		
Cash and certificates of deposit	$ 496,984	$ 446,643
Under indenture agreement - held by trustee		
Cash	$ 816	$ 816
By contributors for nurse training		
Cash and certificates of deposit	$ 208,752	$ 206,750
Other receivable	1,765	446
	$ 210,517	$ 207,196
By contributors for capital acquisitions		
Cash	$ -	$ 47,308

Note C - Assets Limited as to Use - Continued

The composition of the Foundation's assets limited as to use is as follows:

	2023	2022
Internally designated		
Money market funds	$ 10,053	$ 10,999
Equity mutual funds	486,811	450,147
Fixed income mutual funds	92,242	
Equity exchange traded funds	150,008	142,948
	$ 739,114	$ 604,094
By contributors for COVID-19 expenses		
Cash	$ 9,000	$ 9,000

Note D - Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined according to a hierarchy that gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. These inputs are described as follows:

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

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

Equity mutual funds, fixed income mutual funds, and equity exchange traded funds of $729,061 and $593,095 at December 31, 2023 and 2022, respectively, are valued at unadjusted quoted prices for identical securities in active markets. (Level 1 inputs).

Note E - Capital Assets

Capital asset additions, retirements, and balances are as follows:

	2023			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Land	$ 98,284	$ -	$ -	$ 98,284
Land improvements	2,433,527			2,433,527
Buildings	16,113,306			16,113,306
Fixed equipment	6,827,067			6,827,067
Major movable equipment	1,949,017		(1,351)	1,947,666
Ambulance equipment	327,919	172,900		500,819
Totals at historical cost	27,749,120	172,900	(1,351)	27,920,669
Less accumulated depreciation and amortization				
Land improvements	1,562,180	100,812		1,662,992
Buildings	8,173,301	889,615		9,062,916
Fixed equipment	3,971,817	490,147		4,461,964
Major movable equipment	1,892,136	15,805	(1,351)	1,906,590
Ambulance equipment	266,645	65,650		332,295
	15,866,079	1,562,029	(1,351)	17,426,757
Capital assets, net	$11,883,041	$ (1,389,129)	$ -	$10,493,912

	2022			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Land	$ 98,284	$ -	$ -	$ 98,284
Land improvements	2,433,527			2,433,527
Buildings	16,069,807	70,990	(27,491)	16,113,306
Fixed equipment	6,827,067			6,827,067
Major movable equipment	2,278,575		(329,558)	1,949,017
Ambulance equipment	451,874		(123,955)	327,919
Totals at historical cost	28,159,134	70,990	(481,004)	27,749,120
Less accumulated depreciation and amortization				
Land improvements	1,381,428	180,752		1,562,180
Buildings	7,293,000	907,793	(27,492)	8,173,301
Fixed equipment	3,481,671	490,146		3,971,817
Major movable equipment	2,205,603	15,924	(329,391)	1,892,136
Ambulance equipment	353,767	36,834	(123,956)	266,645
	14,715,469	1,631,449	(480,839)	15,866,079
Capital assets, net	$13,443,665	$ (1,560,459)	$ (165)	$11,883,041

Note E - Capital Assets - Continued

On April 2, 2013, a majority of the qualified electors of the County approved, at a special bond election, the question whether to issue general obligation bonds of the County in an amount not to exceed $25,455,000 to pay the cost of constructing a new hospital facility and to advance refund a portion of the County's Series 2005-A General Obligation Refunding and Improvement Bonds. The County issued its General Obligation Refunding and Improvement Bonds, Series 2013-A, on August 1, 2013, in the amount of $25,455,000. Upon issuance of the bonds, the Hospital received $24,097,774 from the bond proceeds which was recorded as a capital contribution. On December 28, 2017, the County issued its General Obligation Refunding Bonds Series 2017-A in the amount of $9,685,000 to refund $8,160,000 of Series 2013-A bonds outstanding. On October 29, 2020, the County issued its general obligation refunding bonds Series 2020-A in the amount of $14,095,000 to refund $12,205,000 of the Series 2013-A bonds outstanding.

The Hospital has agreed to transfer the lease payments received from Saint Luke's Hospital under the Restated Lease to the County for the purpose of making principal and interest payments on the bonds as they come due. The Hospital transferred $1,024,000 to the County during 2023 and 2022 to pay principal and interest due on the bonds.

Note F - Investments

The Foundation's investments consist of 100 class A units of East Kansas Agri-Energy Company (EKAE) that were donated to the Foundation on October 1, 2023. The Foundation's investments are valued at the net asset value per unit as provided by EKAE and is $327,100 as of December 31, 2023. The units have distinctive rights and restrictions and may be bought or sold through a trading service operated by a broker-dealer registered with the U.S. Securities and Exchange Commission which maintains registration to conduct operations as an alternative trading system.

For the Foundation to redeem the units, an offer to sell must be posted on the trading service for at least 15 days. Once the offer has been posted for at least 15 days, an offer to buy may be received. If no offer to buy is received after 120 days, the offer to sell will be removed from the trading service and the Foundation will have to wait 60 days to initiate the next offer to sell. Once an offer to sell is matched with an offer to buy, a written contract for sale must be executed and then approved by the EKAE Board of Directors (BOD). Any sales or transfers approved by the EKAE BOD are completed four times a year on the first day of the quarter beginning on January 1, April 1, July 1, or October 1, except when an offer to sell is posted during the last 45 days of a quarter and is matched with an offer to buy, in which case the transfer will be completed the next quarter. No more than 10 percent of EKAE's outstanding units may be traded through the trading service in any year. Once the limit is reached, no further trading is authorized until after the end of applicable year. The EKAE Board of Directors reserves the right to suspend or discontinue trading on the trading service at any time without notice to any buyer or seller.

Note G - Due from Lessee

Unrestricted assets and liabilities transferred to Saint Luke's on October 1, 1997, were as follows:

Cash	$ 104,238
Patient accounts receivable	1,006,972
Estimated third-party payor settlements	121,413
Supplies	98,007
Prepaid expenses	22,642
Other receivables	2,699
Advances to physicians	56,247
Accounts payable	(656,224)
Salaries and wages payable	(76,388)
Accrued vacation pay	(93,798)
Line of credit loan	(200,000)
	$ 385,808

Note H - Lease Receivables

The hospital building is leased to Saint Luke's under the Restated Lease (see Note A). The medical office building is also leased to Saint Luke's. The Hospital uses Saint Luke's incremental borrowing rate to discount lease payments. The Restated Lease and medical office building agreement both contain automatic renewal options. Only the first renewal option is included in the hospital building's lease term. Through strategic planning and evaluation with Saint Luke's, the decision for Saint Luke's to renew will be made as the leases come closer to the expiration of the initial term.

Income from these leases consisted of the following:

	2023	2022
Hospital building		
Rent	$ 686,417	$ 960,269
Investment income	337,583	63,731
	1,024,000	1,024,000
Medical office building		
Rent	79,337	77,350
Investment income	3,163	5,150
	82,500	82,500
	$ 1,106,500	$ 1,106,500

Note H - Lease Receivables - Continued

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

	Principal	Interest	Total
2024	$ 785,912	$ 320,588	$ 1,106,500
2025	760,692	270,183	1,030,875
2026	806,544	217,456	1,024,000
2027	862,959	161,041	1,024,000
2028	923,321	100,679	1,024,000
2029 - 2030	1,064,979	36,096	1,101,075
	$ 5,204,407	$ 1,106,043	$ 6,310,450

Note I - Risk Management

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

Note J - Assets Held by Community Foundation

On December 29, 2016, the Foundation entered into a Fund Establishing Document (the Agreement) with Your Community Foundation in Iola, Kansas (Community Foundation) whereby a contribution of $200,000 was made to establish the Anderson County Hospital Foundation Fund (the Fund). Under the agreement, the annual net income of the Fund will be distributed to the Foundation upon written approval from the Foundation designated officers. The Community Foundation has been granted variance power under the terms of the Agreement. In accordance with GASB 33, Accounting and Financial Reporting of Nonexchange Transactions, the transaction was recorded as an expense in the year of the transaction. The agreement was terminated in January 2022 and the Foundation received $373,436, which was recorded as a noncapital contribution.

Supplementary Information

Anderson County Hospital
Balance in Depository Compared with Depository Security
December 31, 2023

	Goppert State Bank			Goppert State Bank	Patriots Bank			Farmers State Bank
	Demand deposits	Time deposits	Total	Held in name of trustee	Demand deposits	Time deposits	Total	Time deposits
Bank balance								
General checking	$ 198,887	$ -	$ 198,887	$ -	$ -	$ -	$ -	$ -
General donation account	40,943		40,943					
Funds held by trustee				816				
Funded depreciation checking					59,443		59,443	
Funded depreciation certificates of deposit		75,000	75,000			362,541	362,541	
Project fund	527		527					
Restricted fund checking					6,752		6,752	
Restricted fund certificates of deposit						45,000	45,000	157,000
Total deposits	240,357	75,000	315,357	816	66,195	407,541	473,736	157,000
Less F.D.I.C coverage	240,357	75,000	315,357	816	66,195	250,000	316,195	157,000
Balance subject to pledging of securities	$ -	$ -	-	$ -	$ -	$ 157,541	157,541	-
Market value of securities pledged			197,297				276,778	
Market value of securities pledged in excess of depository requirements			$ 197,297				$ 119,237	$ -