Independent Auditor's Report and Financial Statements

Southwest Medical Center

December 31, 2023 and 2022

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Southwest Medical Center
Management's Discussion and Analysis
Years ended December 31, 2023 and 2022

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

The discussion and analysis pertaining to the years ended December 31, 2022 and 2021, has been updated to reflect the prior period adjustments for corrections of errors for other postemployment benefits and leases corrected during the year ended December 31, 2023.

Financial highlights

The Medical Center's net position, or equity, decreased $12,214,524 or 24.2 percent during 2023 and decreased $11,838,360 or 19.0 percent during 2022.

The Medical Center reported a $50,883 or 0.4 percent decrease in the operating loss for 2023 and a $9,811,540 or 372.2 percent increase in the operating loss for 2022.

The net assets of Southwest Medical Center Foundation (the Foundation), a component unit of the Medical Center, increased $193,017 or 2.8 percent during 2023 and decreased $916,295 or 11.8 percent during 2022.

Using these financial statements

The Medical Center'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 Medical Center, including resources held by or for the benefit of the Medical Center, and resources restricted for specific purposes by contributors, grantors, and indenture agreements.

One of the most important questions asked about the Medical Center's finances is, "Is the Medical Center, 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 Medical Center'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 Medical Center's net position and changes in it. The Medical Center's net position - the difference between assets, deferred outflows, liabilities, and deferred inflows - may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in the Medical Center'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 Medical Center's patient base and measures of the quality of service it provides to the community, as well as local economic factors, to assess the overall health of the Medical Center.

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, deferred outflows, liabilities, deferred inflows, and net position

The Medical Center's statements of net position as of the end of each of the last three years ended December 31 are summarized as follows:

	2023	2022	2021
Assets			
Current assets	$ 22,028,272	$ 28,371,711	$ 40,404,330
Assets limited as to use	39,023,048	37,100,294	33,753,133
Capital assets, net	19,874,960	21,853,231	24,241,125
Total assets	80,926,280	87,325,236	98,398,588
Deferred outflows of resources on advance refunding	601,675	672,737	745,903
Liabilities			
Current liabilities	(22,977,902)	(19,429,380)	(6,996,253)
Long-term obligations		(8,950)	(13,196,346)
Total liabilities excluding net pension and OPEB liabilities	(22,977,902)	(19,438,330)	(20,192,599)
Deferred inflows of resources on advance refunding	(79,708)	(88,859)	(100,371)
Net pension and OPEB liabilities, net of pension and OPEB related deferred outflows and deferred inflows of resources	(20,209,733)	(17,995,648)	(16,538,025)
Net position	$ 38,260,612	$ 50,475,136	$ 62,313,496

Cash and cash equivalents in the current asset category decreased by $5,853,284 during 2023 and decreased by $9,713,864 during 2022.

Most of the Medical Center's invested cash is set aside by the Board of Trustees for replacement of capital assets or for purchase of additional capital assets. Although, at the discretion of the Board, they may subsequently be used for other purposes, these assets are reported as internally designated assets limited as to use on the statements of net position. This category of assets increased by $1,554,451 during 2023 and assets increased by $2,889,442 during 2022. Net transfers were made from operating cash to this category of assets that totaled approximately $1,383,000 in 2023 and $3,600,000 in 2022.

In aggregate, the Medical Center's unrestricted cash and invested cash total was $36,840,511 and $41,139,344 as of December 31, 2023 and 2022, respectively. These represent 183 and 208 days, respectively, of cash expenses during each of the years then ended.

The Medical Center's net patient accounts receivable were 68 percent of current assets as of December 31, 2023, 54 percent as of December 31, 2022, and 45 percent as of December 31, 2021. In relation to net patient service revenue, net patient accounts receivable decreased 4.6 percent during 2023, decreased 3.3 percent during 2022, and increased 1.1 percent during 2021. The average number of days of net patient revenue represented by them was 83 days, 87 days, and 90 days as of December 31, 2023, 2022, and 2021, respectively.

During 2020, the Medical Center was granted a $4,729,400 loan under the Payment Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. This loan was granted as a provision of the CARES Act. The outstanding balance of this loan and accrued interest was subsequently forgiven in May 2021.

During March 2021, the Medical Center issued $4,650,000 in bonds as a refunding of the remaining 2010A bond issue. The Medical Center incurred lease obligations of $29,754 in 2022.

At the end of 2023, the Medical Center had $19,874,960 in capital assets, net of accumulated depreciation and amortization. The total value of capital assets acquired or leased totaled $1,348,447, $1,249,362, and $3,280,169 during 2023, 2022, and 2021, respectively.

The Medical Center's net position decreased $12,214,524 or 24.2 percent during 2023, decreased $11,838,360 or 19.0 percent during 2022, and increased $12,684,270 or 25.6 percent during 2021. The percentage of total assets financed with its net position, or equity, was 47.3 percent, 57.8 percent, and 63.3 percent as of December 31, 2023, 2022, and 2021, respectively.

The Foundation's statements of financial position as of the end of its last three fiscal years ended June 30 are summarized as follows:

	2023	2022	2021
Assets			
Current assets	$ 5,866,690	$ 5,985,600	$ 6,579,909
Capital assets, net	427,865	431,685	435,505
Other assets	737,073	736,671	740,980
Total assets	7,031,628	7,153,956	7,756,394
Liabilities			
Current liabilities	10,129	325,474	11,617
Net assets	$ 7,021,499	$ 6,828,482	$ 7,744,777

The Foundation's current assets consist primarily of investments in marketable securities. The Foundation's net assets increased $193,017 or 2.8 percent during fiscal year 2023 and decreased $916,295 or 11.8 percent during fiscal year 2022. These changes in net assets were primarily influenced by investment market conditions during those years.

Operating results and changes in net position

The Medical Center's operating results and changes in net position for each of the last three years ended December 31 are summarized as follows:

	2023	2022	2021
Operating revenues	$ 66,329,003	$ 64,533,609	$ 74,156,182
Operating expenses excluding actuarial adjustments	(76,511,842)	(75,523,793)	(76,094,995)
Actuarial adjustment to pension and OPEB expenses	(2,214,085)	(1,457,623)	(697,454)
Operating loss	(12,396,924)	(12,447,807)	(2,636,267)
Interest expense	(400,201)	(414,065)	(548,900)
SBA PPP loan forgiveness			4,729,400
Noncapital COVID-19 grants		457,625	10,154,822
Other nonoperating revenues	286,813	250,887	467,957
Capital COVID-19 grants			317,258
Capital grants and contributions	295,788	315,000	200,000
Change in net position	$ (12,214,524)	$ (11,838,360)	$ 12,684,270

The first, and most significant, component of the overall change in the Medical Center's net position is its operating income - generally, the difference between net patient service revenue and the expenses incurred to perform those services. Operating loss decreased $50,883 during 2023 and increased $9,811,540 during 2022.

Gross and net patient service revenue for the past three years ended December 31 are analyzed as follows:

	2023	2022	2021
Inpatient services	$ 76,921,362	$ 81,245,145	$ 97,715,008
Outpatient services	123,841,829	113,437,287	112,662,486
Physician services	22,987,090	22,851,272	21,399,431
Gross patient service revenue	223,750,281	217,533,704	231,776,925
Contractual adjustments	(142,848,403)	(137,928,424)	(140,222,391)
Provision for bad debts	(13,623,108)	(13,526,622)	(15,859,806)
Charity care	(1,275,704)	(1,915,413)	(1,952,649)
Net patient service revenue	$ 66,003,066	$ 64,163,245	$ 73,742,079

The Medical Center raised rates 4.5 percent in January 2023 and 4.0 percent in January 2022 and 2021.

Total inpatient revenues decreased 5.3 percent and 16.9 percent in 2023 and 2022, respectively. Total inpatient days decreased 5.8 percent during 2023 and by 10.6 percent during 2022. Total outpatient revenues increased 9.2 percent and 0.7 percent in 2023 and 2022, respectively. These changes to inpatient and outpatient volume in 2023, 2022, and 2021 were directly related to the coronavirus pandemic. In April 2023, one surgeon retired. During 2022, one surgeon began their practice in January.

The Medical Center has agreements with various third-party payors that provide for payments to the Medical Center at amounts different from its established charge rates. These differences are referred to as contractual adjustments. When expressed as a percentage of gross patient service revenue, the Medical Center's contractual adjustments are comparable to median values for similar hospitals.

The Medical Center provides care free of charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charity care decreased 33.4 percent during 2023 and decreased 1.9 percent during 2022. Together, the provision for bad debts and charity care represented 6.6 percent, 7.1 percent, and 7.7 percent of gross patient service revenue during 2023, 2022, and 2021, respectively.

Employee salaries and wages increased by $227,389 or 0.8 percent during 2023 and decreased by $4,304,022 or 12.8 percent during 2022. These changes are functions of changes in the number of employees, pay rates, and coronavirus relief compensation. Average pay rates increased by 7 percent and 3 percent during 2023 and 2022, respectively. Total full-time equivalent employees decreased by 24 or 6 percent during 2023 and decreased by 40 or 9 percent during 2022. The changes in employees during 2023 and 2022 are primarily due to staffing challenges and changes in patient volume.

The cost of employee benefits excluding the pension and OPEB adjustments was 24 percent and 25 percent of salaries and wages during 2023 and 2022, respectively. Employee benefit expenses excluding the pension and OPEB adjustments decreased $332,457 during 2023 and decreased $442,250 during 2022. The decreases in 2023 and 2022 are primarily due to the decrease in FTEs.

Supplies and other expenses increased by $1,403,654 or 4.0 percent during 2023 and increased by $3,964,727 or 12.7 percent during 2022. The increases in 2023 and 2022 were consistent with the general rate of health care inflation and the continued need to use contract labor due to reduced employed staffing.

The Foundation's operating results and changes in net assets for each of its last three fiscal years ended June 30 are summarized as follows:

	2023	2022	2021
Contributions	$ 100	$ 200	$ 100
Investment return, net	449,779	(700,021)	1,183,353
Other income	69,479	125,860	81,672
Expenses	(326,341)	(342,334)	(304,809)
Change in net assets	$ 193,017	$ (916,295)	$ 960,316

Unrealized gains and losses are included in the investment return category on the Foundation's financial statements. The Foundation's investment return included net realized and unrealized gains of $276,985 for the year ended June 30, 2023, net realized and unrealized losses of $813,197 for the year ended June 30, 2022, and net realized and unrealized gains of $1,073,320 for the year ended June 30, 2021. These results followed changes in the broad market indices during those years.

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Independent Auditor's Report

Board of Trustees
Southwest Medical Center

Opinions

We have audited the accompanying financial statements of the business-type activities of Southwest Medical Center (Medical Center) as of and for the years ended December 31, 2023 and 2022, the discretely presented component unit as of and for the years ended June 30, 2023 and 2022, 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 respective financial position of the business-type activities of the Medical Center as of December 31, 2023 and 2022, the respective financial position of the discretely presented component unit of the Medical Center as of June 30, 2023 and 2022, and the respective changes in financial position, and 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 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 and the Kansas Municipal Audit and Accounting Guide will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and the Kansas Municipal Audit and Accounting Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 the management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. These standards also require that the pension and other postemployment benefit plan information listed in the table of contents be included 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 that collectively comprise the Medical Center's basic financial statements. The accompanying information on pages 45 through 48 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, information on pages 44 through 47 is fairly stated, in all material respects, in relation to the basic financial statements as a whole, except that no opinion is expressed as to the adequacy of insurance coverage.

Wendling Noe Nelson : Johnson LLC

Topeka, Kansas
April 10, 2024

Financial Statements

Southwest Medical Center
Statements of Net Position
December 31, 2023 and 2022

Assets and Deferred Outflows of Resources

	2023	2022
Current assets		
Cash and cash equivalents	$ 1,537,173	$ 7,390,457
Assets limited as to use	409,873	405,542
Patient accounts receivable, net of allowance for uncollectible accounts of $6,639,172 in 2023 and $4,389,254 in 2022	14,979,554	15,311,542
Other receivables	5,532	23,866
Estimated third-party payor receivables	691,376	1,017,366
Inventories	1,807,675	1,897,508
Prepaid expenses	2,597,089	2,325,430
Total current assets	22,028,272	28,371,711
Assets limited as to use		
Internally designated	35,303,338	33,748,887
Under indenture agreements - held by trustee	1,460,249	1,404,863
By contributors and grantors for capital acquisitions	2,669,334	2,352,086
	39,432,921	37,505,836
Less amounts required to meet current obligations	409,873	405,542
	39,023,048	37,100,294
Capital assets		
Capital assets not being depreciated	2,562,778	1,466,739
Depreciable capital assets, net	17,303,504	20,307,820
Lease assets, net	8,678	78,672
Capital assets - net	19,874,960	21,853,231
Total assets	80,926,280	87,325,236
Deferred outflows of resources		
Pension	8,447,630	10,337,437
Other postemployment benefits (OPEB)	52,293	62,645
Advance refunding	601,675	672,737
Total deferred outflows of resources	9,101,598	11,072,819
Total assets and deferred outflows of resources	$ 90,027,878	$ 98,398,055

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	2023	2022
Current liabilities		
Current portion of bonds payable	$ 12,470,799	$ 13,092,952
Current portion of lease liabilities	8,950	71,384
Accounts payable	6,760,482	2,263,027
Estimated third-party payor payables	286,340	1,400,718
Unearned COVID-19 revenue	38,556	38,556
Other accrued liabilities	78,456	77,589
Accrued salaries and benefits	2,213,525	1,372,858
Accrued compensated absences	968,546	952,861
Accrued interest payable	152,248	159,435
Total current liabilities	22,977,902	19,429,380
Long-term liabilities		
Lease liabilities, less current maturities		8,950
Other postemployment benefits (OPEB) liability	245,836	260,011
Net pension liability	25,469,405	24,889,639
Total long-term liabilities	25,715,241	25,158,600
Total liabilities	48,693,143	44,587,980
Deferred inflows of resources		
Pension	2,535,212	2,807,328
Other postemployment benefits	459,203	438,752
Advance refunding	79,708	88,859
Total deferred inflows of resources	3,074,123	3,334,939
Net position		
Invested in capital assets - net of related debt	7,917,178	9,263,823
Restricted		
For debt service	1,460,249	1,404,863
Expendable for capital acquisitions	2,669,334	2,352,086
Unrestricted	26,213,851	37,454,364
Total net position	38,260,612	50,475,136
Total liabilities, deferred inflows of resources, and net position	$ 90,027,878	$ 98,398,055

Southwest Medical Center
Statements of Financial Position - Discretely Presented Component Unit
Southwest Medical Center Foundation
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash	$ 135,390	$ 700,508
Certificates of deposit	388,000	400,000
Short-term investments	5,340,958	4,881,813
Royalties receivable	434	1,392
Prepaid expenses	1,908	1,887
Total current assets	5,866,690	5,985,600
Capital assets - net	427,865	431,685
Other assets		
Endowment investments	672,485	671,215
Other investments	64,588	65,456
Total other assets	737,073	736,671
Total assets	$ 7,031,628	$ 7,153,956
Liabilities and Net Assets		
Accrued taxes and other liabilities	$ 10,129	$ 325,474
Net assets		
Without donor restrictions	6,006,364	5,645,020
With donor restrictions		
Purpose restricted	342,650	512,247
Perpetual in nature	672,485	671,215
Total with donor restrictions	1,015,135	1,183,462
Total net assets	7,021,499	6,828,482
Total liabilities and net assets	$ 7,031,628	$ 7,153,956

The accompanying notes are an integral part of these statements.

Southwest Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2023 and 2022

	2023	2022
Operating revenues		
Net patient service revenue	$ 66,003,066	$ 64,163,245
Other	325,937	370,364
Total operating revenues	66,329,003	64,533,609
Operating expenses		
Salaries and wages	29,624,788	29,397,399
Employee benefits	6,980,341	7,312,798
Actuarial adjustments to pension and OPEB expense	2,214,085	1,457,623
Supplies and other	36,579,994	35,176,340
Depreciation and amortization	3,326,719	3,637,256
Total operating expenses	78,725,927	76,981,416
Operating loss	(12,396,924)	(12,447,807)
Nonoperating revenues (expenses)		
Investment income	247,958	111,318
Interest expense	(400,201)	(414,065)
Gain on disposal of fixed assets		11,000
Noncapital COVID-19 grants		457,625
Noncapital grants and contributions	38,855	128,569
Total nonoperating revenues (expenses)	(113,388)	294,447
Excess of expenses over revenues before capital grants and contributions	(12,510,312)	(12,153,360)
Capital grants and contributions	295,788	315,000
Change in net position	(12,214,524)	(11,838,360)
Net position at beginning of year		
As previously reported	51,112,916	62,870,207
Prior period adjustment	(637,780)	(556,711)
As restated	50,475,136	62,313,496
Net position at end of year	$ 38,260,612	$ 50,475,136

The accompanying notes are an integral part of these statements.

Southwest Medical Center
Statements of Activities - Discretely Presented Component Unit
Southwest Medical Center Foundation
Years ended June 30, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions		
Revenues, gains, and other support		
Contributions	$ 100	$ 200
Oil and gas revenue, net	16,477	24,542
Farm revenue, net	53,002	101,318
Investment return, net	391,106	
Net assets released from restrictions	227,000	
Total revenues, gains, and other support	687,685	126,060
Expenses and losses		
Program services	295,538	315,000
Management and general	30,803	27,334
Investment return, net		583,224
Total expenses and losses	326,341	925,558
Change in net assets without donor restrictions	361,344	(799,498)
Changes in net assets with donor restrictions		
Investment return, net	58,673	(116,797)
Net assets released from restrictions	(227,000)	
Change in net assets with donor restrictions	(168,327)	(116,797)
Change in net assets	193,017	(916,295)
Net assets at beginning of year	6,828,482	7,744,777
Net assets at end of year	$ 7,021,499	$ 6,828,482

The accompanying notes are an integral part of these statements.

Southwest Medical Center
Statements of Cash Flows
Years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 65,546,666	$ 67,238,561
Payments to or on behalf of employees	(36,183,603)	(37,520,766)
Payments for supplies and services	(32,156,476)	(35,081,210)
Other receipts and payments	344,271	395,563
Net cash used by operating activities	(2,449,142)	(4,967,852)
Cash flows from noncapital financing activities		
Noncapital grants and contributions	38,855	128,569
COVID-19 noncapital grants received		198,343
Net cash provided by noncapital financing activities	38,855	326,912
Cash flows from capital and related financing activities		
Acquisition of capital assets	(1,020,644)	(1,117,228)
Proceeds from sale of capital assets		11,000
Principal payments on long-term obligations	(580,000)	(565,000)
Principal payments on lease liabilities	(71,384)	(72,174)
Interest paid	(387,630)	(406,172)
Capital grants and contributions	610,788	
Net cash used by capital and related financing activities	(1,448,870)	(2,149,574)
Cash flows from investing activities		
Change in assets limited as to use	(55,386)	(12,678)
Investment income received	232,814	109,984
Net cash provided by investing activities	177,428	97,306
Net change in cash and cash equivalents	(3,681,729)	(6,693,208)
Cash and cash equivalents at beginning of year	35,672,394	42,365,602
Cash and cash equivalents at end of year	$ 31,990,665	$ 35,672,394

Southwest Medical Center
Statements of Cash Flows - Continued
Years ended December 31, 2023 and 2022

	2023	2022
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 1,537,173	$ 7,390,457
Cash included in assets limited as to use		
Internally designated	27,784,158	26,244,851
By contributors and grantors for capital acquisitions	2,669,334	2,037,086
Total cash and cash equivalents	$ 31,990,665	$ 35,672,394
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (12,396,924)	$ (12,447,807)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization	3,326,719	3,637,256
Provision for bad debts	13,623,108	13,526,622
Changes in		
Accounts receivable	(13,291,120)	(10,603,558)
Other receivables	18,334	25,199
Inventories and prepaid expenses	(181,826)	367,403
Accounts payable and accrued expenses	5,026,870	(1,082,842)
Estimated third-party payor settlements	(788,388)	152,252
Net pension and OPEB liabilities and deferred inflows and deferred outflows related to defined benefit and OPEB plans	2,214,085	1,457,623
Net cash used by operating activities	$ (2,449,142)	$ (4,967,852)
Supplemental schedule of noncash investing and financing activities		
Lease liability incurred	$ -	$ 29,754

The accompanying notes are an integral part of these statements.

Southwest Medical Center
Statements of Cash Flows - Discretely Presented Component Unit
Southwest Medical Center Foundation
Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 193,017	$ (916,295)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	3,820	3,820
Net realized and unrealized gain/losses on investments	(276,985)	813,197
Investment returns restricted for endowment	(1,123)	(679)
Changes in		
Royalties receivable	958	(1,392)
Prepaid expenses	(21)	(73)
Other investments	868	4,988
Accrued liabilities	(315,345)	313,857
Net cash provided (used) by operating activities	(394,811)	217,423
Cash flows from investing activities		
Proceeds from sales of investments	10,874,449	6,920,692
Purchase of investments	(11,044,756)	(6,714,200)
Net cash provided (used) by investing activities	(170,307)	206,492
Net change in cash and cash equivalents	(565,118)	423,915
Cash and cash equivalents at beginning of year	700,508	276,593
Cash and cash equivalents at end of year	$ 135,390	$ 700,508

The accompanying notes are an integral part of these statements.

Southwest Medical Center
Notes to Financial Statements
December 31, 2023 and 2022

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

The financial statements of Southwest Medical Center (the Medical Center), a component unit of Seward County, Kansas, have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Medical Center are described below.

1. Reporting entity

Southwest Medical Center is located in Liberal, Kansas, and is owned by Seward County, Kansas (the County), and governed by a seven-member Board of Trustees appointed by the Board of County Commissioners of the County. The Medical Center is a 101-bed, not-for-profit general hospital. The Medical Center can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County. The Medical Center is a component unit of the County.

For financial reporting purposes, the Medical Center 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 Medical Center are such that the exclusion would cause the Medical Center's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Medical Center 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 Medical Center.

2. Discretely presented component unit

Southwest Medical Center Foundation, Inc. (the Foundation), is a not-for-profit corporation formed in August of 1980 to receive, invest, and disburse funds received for the benefit, support, and maintenance of the Medical Center. The Foundation is a legally separate component unit of the Medical Center. The Foundation is administered by a Board of Trustees. Three of the seven members of that Board are also members of the Medical Center's Board of Trustees. Although the Medical Center 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 Medical Center by the donors or are provided to the Medical Center for its programs. Because the majority of resources held by the Foundation can only be used by, or for the benefit of, the Medical Center and for the benefit of patients served by the Medical Center, the Foundation is considered a component unit of the Medical Center and is discretely presented in the Medical Center's financial statements. The Foundation's financial statements are presented on a June 30 year-end basis.

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. Basis of presentation

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

The Foundation reports under the Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Medical Center's reporting entity for these differences.

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

5. Cash and cash equivalents

The Medical Center considers all cash and invested cash to be cash equivalents, excluding certificates of deposit with original maturities of more than three months, assets limited as to use under bond indenture agreements held by trustee, and items classified as investments by the Foundation.

6. Allowance for uncollectible accounts

The Medical Center provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. The Medical Center estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each type of payor.

7. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

8. Investments and investment income

Investments in debt and equity securities are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

9. 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 indenture agreements; and assets restricted by contributors and grantors for specific operations and capital acquisitions. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

10. Capital assets

Capital assets excluding lease assets are stated at cost. Depreciation of capital assets excluding lease 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.

Lease assets are recognized at the lease commencement date and represent the 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 or the same method amortizing the lease liability.

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.

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

11. Costs of borrowing

Interest costs (including amortization of bond premiums and discounts, and of deferred outflows on advanced refunding) incurred on borrowed funds during the period of construction of capital assets are expensed in the period incurred. Original issue premiums and discounts and deferred outflows on advance refunding associated with issuance of long-term debt are amortized using the interest method over the term of the related debt.

12. Estimated health insurance claims payable

The Medical Center is self-insured for health insurance claims of its employees. Management estimates the net liability for reported and unreported claims incurred as of the end of each reporting period. These estimates are based on known claims and historical claims experience.

Management believes that estimates for health insurance claims payable are reasonable. However, it is possible that actual incurred claims expense may vary significantly from the estimate included in the accompanying financial statements.

13. Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. 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.

14. Pension and Other Postemployment Benefit (OPEB) plans

The Medical Center participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan. The Medical Center also provides long-term disability benefits to its employees through KPERS. The Medical Center uses information provided by KPERS to measure the net pension and OPEB liabilities and deferred outflows of resources and deferred inflows of resources of the KPERS pension and OPEB plans.

15. Net position

The net position of the Medical Center is classified into four 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, or contributors external to the Medical Center, including amounts deposited with trustees as required by indenture agreements. "Restricted nonexpendable net position" equals the principal portion of permanent endowments. "Unrestricted net position" is the remaining net position that does not meet the definitions of the other three components of net position.

16. Operating revenues and expenses

The Medical Center'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 providing health care services, which is the Medical Center's principal activity. Nonexchange revenues, including noncapital grants and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

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

17. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, charity care, contractual adjustments, and provision for bad debts, 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.

18. 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.

19. Grants and contributions

From time to time, the Medical Center 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 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.

20. Income taxes

The Medical Center is exempt from federal income taxes pursuant to Sections 115 and 501(a) of the Internal Revenue Code. Management is not aware of any uncertainties in income tax positions. Tax years ended on and before December 31, 2019, are not subject to examination by taxing authorities.

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. Tax years ended on and before June 30, 2019, are not subject to examination by taxing authorities.

21. Prior period adjustments

Prior to January 1, 2023, the Medical Center did not report other postemployment benefit oligations for its employees in accordance with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* In addition, prior to January 1, 2023, the Medical Center did not report lease assets and liabilities in accordance with GASB 87, *Leases*. Effective January 1, 2023, the Medical Center corrected the accounting for other postemployment benefit obligations and lease assets and liabilities to be in accordance with generally accepted accounting principles. The effect of correcting these errors on the year ended December 31, 2022, financial statements is shown in the following table.

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

	Amount as previously reported	Correction of errors	Amount as restated
Statement of Net Position			
Assets			
Capital assets, net	$ 21,774,559	$ 78,672	$ 21,853,231
Total assets	87,246,564	78,672	87,325,236
Deferred outflows of resources			
Other postemployment benefits		62,645	62,645
Total deferred outflows of resources	11,010,174	62,645	11,072,819
Total assets and deferred outflows of resources	98,256,738	141,317	98,398,055
Liabilities			
Current maturities of lease liabilities		71,384	71,384
Total current liabilities	19,357,996	71,384	19,429,380
Lease liabilities less current maturities		8,950	8,950
Other postemployment liability		260,011	260,011
Total liabilities	44,247,635	340,345	44,587,980
Deferred inflows of resources			
Other postemployment benefits		438,752	438,752
Total deferred inflows of resources	2,896,187	438,752	3,334,939
Net position			
Net investment in capital assets	9,265,485	(1,662)	9,263,823
Unrestricted	38,090,482	(636,118)	37,454,364
Total net position	51,112,916	(637,780)	50,475,136
Total liabilities, deferred inflows of resources, and net position	98,256,738	141,317	98,398,055
Statement of Revenues, Expenses, and Changes in Net Position			
Operating expenses			
Actuarial adjustment to pension and OPEB expense	1,376,719	80,904	1,457,623
Supplies and other	35,251,737	(75,397)	35,176,340
Depreciation and amortization	3,564,917	72,339	3,637,256
Total operating expenses	76,903,570	77,846	76,981,416
Operating loss	(12,369,961)	(77,846)	(12,447,807)
Nonoperating revenues (expenses)			
Interest expense	(410,842)	(3,223)	(414,065)
Total nonoperating revenues (expenses)	297,670	(3,223)	294,447
Excess of expenses over revenues before capital items	(12,072,291)	(81,069)	(12,153,360)
Change in net position	(11,757,291)	(81,069)	(11,838,360)
Statement of Cash Flows			
Cash flows from operating activities			
Payments for supplies and services	(35,156,607)	75,397	(35,081,210)
Net cash used by operating activities	(5,043,249)	75,397	(4,967,852)
Cash flows from capital and related financing activities			
Principal payments on lease liabilities		(72,174)	(72,174)
Interest paid	(402,949)	(3,223)	(406,172)
Net cash used by capital and related financing activities	(2,074,177)	(75,397)	(2,149,574)

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

22. Adoption of accounting pronouncements

Effective January 1, 2023, the Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). Under GASB 96, a SBITA user is required to recognize a subscription liability and an intangible right-to-use subscription asset. 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 adoption of this standard did not result in changes to previously reported amounts. The Medical Center 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.

Effective January 1, 2023, the Medical Center early adopted GASB 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 quantative effects on beginning balances from accounting changes and error corrections.

23. 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 - 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 - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Inpatient skilled nursing services are paid at prospectively determined per diem rates. Outpatient services are paid at prospectively determined rates per occasion of service. Physician services rendered to Medicare beneficiaries are paid based on a prospectively determined fee schedule.

Prospectively determined rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Medical Center is paid for cost reimbursable and other items at tentative rates with 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 30, 2019.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis.

Note B - Reimbursement Programs - Continued

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.

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

A summary of gross and net patient service revenue for the years ended December 31, 2023 and 2022, follows:

	2023	2022
Gross patient service revenue	$ 223,750,281	$ 217,533,704
Contractual adjustments	(142,848,403)	(137,928,424)
Provision for bad debts	(13,623,108)	(13,526,622)
Charity care	(1,275,704)	(1,915,413)
Net patient service revenue	$ 66,003,066	$ 64,163,245

Revenue from the Medicare and Medicaid programs accounted for approximately 19 percent and 7 percent, respectively, of the Medical Center's net patient service revenue during 2023, and 20 percent and 8 percent, respectively, of the Medical Center's net patient service revenue during 2022. 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 will change by a material amount in the near term.

Note C - 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, 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 Medical Center.

At December 31, 2023, the carrying amount of the Medical Center's bank deposits, including certificates of deposit, was $39,478,283 and the bank balances were $41,271,216. Of the bank balances, $750,000 was covered by federal depository insurance, and $40,521,216 was covered by collateral held by a third-party bank, but not registered in the Medical Center's name.

Note C - Deposits with Financial Institutions - Continued

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

Cash and cash equivalents	$ 1,524,791
Assets limited as to use	
Internally designated	35,284,158
By contributors and grantors for capital acquisitions	2,669,334
Total bank deposits	$ 39,478,283

Note D - Investments

The Foundation's investments are stated at fair value. The composition of its short-term and endowment investments as of June 30, 2023 and 2022, is as follows:

	2023	2022
Mutual funds	$ 609,864	$ -
Equity securities	5,260,572	5,407,812
Fixed income securities	143,007	145,216
	$ 6,013,443	$ 5,553,028

The Foundation's investment return is summarized as follows:

	2023	2022
Interest and dividends including capital gains	$ 222,088	$ 208,502
Realized gains and losses	(11,361)	(89,570)
Unrealized gains and losses	288,346	(759,324)
Investment fees and taxes	(49,294)	(59,629)
	$ 449,779	$ (700,021)

Note E - 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.

Note E - Fair Value of Financial Instruments - Continued

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 methodologies used by the Foundation for assets measured at fair value on a recurring basis:

Mutual funds, common stocks, and exchange-traded funds are valued at unadjusted quoted prices for identical securities in active markets.

Fixed income securities are valued at prices provided by an independent pricing service.

The following tables set forth, by level, the Foundation's assets measured at fair value on a recurring basis:

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 609,864	$ -	$ -	$ 609,864
Stocks and exchange traded funds	5,260,572			5,260,572
Fixed income securities		143,007		143,007
	$ 5,870,436	$ 143,007	$ -	$ 6,013,443

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Stocks and exchange traded funds	$ 5,407,812	$ -	$ -	5,407,812
Fixed income securities		145,216		145,216
	$ 5,407,812	$ 145,216	$ -	$ 5,553,028

Note F - Assets Limited As to Use

The composition of assets limited as to use as of December 31, 2023 and 2022, is as follows:

	2023	2022
Internally designated		
Cash	$ 27,784,158	$ 26,244,851
Certificates of deposit	7,500,000	7,500,000
Accrued interest receivable	19,180	4,036
	$ 35,303,338	$ 33,748,887
Under indenture agreements held by trustee		
Cash	$ 10,000	$ 15,000
Government obligation money market funds	1,450,249	1,389,863
	$ 1,460,249	$ 1,404,863
By contributors and grantors for capital acquisitions		
Cash	$ 2,669,334	$ 2,037,086
Contributions receivable		315,000
	$ 2,669,334	$ 2,352,086

Note G - Capital Assets

Capital asset additions, retirements, and balances for the Medical Center as of December 31, 2023 and 2022, are as follows:

	2023			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 104,046	$ -	$ -	$ 104,046
Construction in progress	1,362,693	1,096,039		2,458,732
Total capital assets not being depreciated	1,466,739	1,096,039	-	2,562,778
Capital assets being depreciated				
Land improvements	2,270,127			2,270,127
Buildings and fixed equipment	28,095,100	86,261		28,181,361
Major movable equipment	22,285,768	166,148		22,451,916
Total capital assets being depreciated	52,650,995	252,409	-	52,903,404
Less accumulated depreciation and amortization				
Land improvements	1,087,581	87,872		1,175,453
Buildings and fixed equipment	15,545,943	1,205,517		16,751,460
Major movable equipment	15,709,651	1,963,336		17,672,987
Total accumulated depreciation	32,343,175	3,256,725	-	35,599,900
Total capital assets being depreciated, net	20,307,820	(3,004,316)	-	17,303,504
Lease assets being amortized				
Buildings	29,754			29,754
Major movable equipment	187,398		187,398	
Total lease assets being amortized	217,152	-	187,398	29,754
Less accumulated amortization				
Buildings	6,199	14,877		21,076
Major movable equipment	132,281	55,117	187,398	
Total accumulated amortization	138,480	69,994	187,398	21,076
Total lease assets being amortized, net	78,672	(69,994)	-	8,678
Capital assets, net	$ 21,853,231	$ (1,978,271)	$ -	$ 19,874,960

Note G - Capital Assets - Continued

	2022			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 104,046	$ -	$ -	$ 104,046
Construction in progress	799,235	563,458		1,362,693
Total capital assets not being depreciated	903,281	563,458	-	1,466,739
Capital assets being depreciated				
Land improvements	2,270,127			2,270,127
Buildings and fixed equipment	27,816,783	278,317		28,095,100
Major movable equipment	21,907,935	377,833		22,285,768
Total capital assets being depreciated	51,994,845	656,150	-	52,650,995
Less accumulated depreciation and amortization				
Land improvements	979,283	108,298		1,087,581
Buildings and fixed equipment	14,178,897	1,367,046		15,545,943
Major movable equipment	13,620,078	2,089,573		15,709,651
Total accumulated depreciation	28,778,258	3,564,917	-	32,343,175
Total capital assets being depreciated, net	23,216,587	(2,908,767)	-	20,307,820
Lease assets being amortized				
Buildings		29,754		29,754
Major movable equipment	187,398			187,398
Total lease assets being amortized	187,398	29,754	-	217,152
Less accumulated amortization				
Buildings		6,199		6,199
Major movable equipment	66,141	66,140		132,281
Total accumulated amortization	66,141	72,339	-	138,480
Total lease assets being amortized, net	121,257	(42,585)	-	78,672
Capital assets, net	$ 24,241,125	$ (2,387,894)	$ -	$ 21,853,231

Construction in progress at December 31, 2023 and 2022, consisted mainly of costs incurred for building improvements and for equipment and software purchased but not yet in service. At December 31, 2023, the Medical Center had outstanding commitments for building improvements of approximately $1,803,000.

Note G - Capital Assets - Continued

Capital asset additions, retirements, and balances for the Foundation as of June 30, 2023 and 2022, are as follows:

	2023			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Farm land improvements	$ 172,636	$ -	$ -	$ 172,636
Total capital assets being depreciated	172,636	-	-	172,636
Less accumulated depreciation and amortization	115,477	3,820		119,297
Total capital assets being depreciated, net	57,159	(3,820)	-	53,339
Capital assets not being depreciated				
Land	374,526			374,526
Capital assets, net	$ 431,685	$ (3,820)	$ -	$ 427,865

	2022			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Farm land improvements	$ 172,636	$ -	$ -	$ 172,636
Total capital assets being depreciated	172,636	-	-	172,636
Less accumulated depreciation and amortization	111,657	3,820		115,477
Total capital assets being depreciated, net	60,979	(3,820)	-	57,159
Capital assets not being depreciated				
Land	374,526			374,526
Capital assets, net	$ 435,505	$ (3,820)	$ -	$ 431,685

Note H - Unearned COVID-19 Revenue

Unearned revenue consists of federal financial assistance through the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act and subsequent legislation. As a condition to receiving these distributions, the Medical Center must agree to the terms and conditions of the funds. These funds are considered voluntary nonexchange transactions subject to eligibility requirements and are recognized as unearned revenues until such time the eligibility requirements have been met. The Medical Center determined that the eligibility requirements for allowable expenditures were met for $457,625 of federal funds received for the year ended December 31, 2022. These amounts have, therefore, been recognized as nonoperating revenues in the financial statements during the year ended December 31, 2022.

Note I - Bonds Payable

Bonds payable as of December 31, 2023 and 2022, are summarized as follows:

	2023	2022
2.0% to 4.0% General Obligation Hospital Refunding Bonds, Series 2016; issued on March 30, 2016, in the original amount of $9,480,000, due serially through August 1, 2038	$ 8,880,000	$ 8,965,000
2.0% to 3.0% General Obligation Hospital Refunding Bonds, Series 2021; issued on March 31, 2021, in the original amount of $4,650,000, due serially through August 1, 2039	3,230,000	3,725,000
	12,110,000	12,690,000
Add net unamortized premium on bonds	360,799	402,952
Less current maturities and premium on bonds	12,470,799	13,092,952
	$ -	$ -

On March 30, 2016, the County issued $9,480,000 in General Obligation Hospital Refunding Bonds, Series 2016, (the 2016 bonds) on behalf of the Medical Center. The proceeds of the 2016 bonds were used to (1) pay the costs related to issuance of the 2016 bonds, and (2) advance refund $8,335,000 of the 2010-A bonds maturing during the years from 2026 through 2038 by making an irrevocable deposit with a trustee. The trustee used that deposit to purchase direct obligations of the United States of America that matured and paid interest in amounts and at times that provided for payment of interest on the refunded 2010-A bonds through August 1, 2020, and to redeem and pay the $8,335,000 of refunded 2010-A bonds on that date at a redemption price of 100 percent. As a result of the refunding transaction, a deferred refunding loss of $1,171,337 was recognized for the difference between the book value of the refunded debt and the amount required to extinguish the debt. This deferred loss is reported as a deferred outflow of resources on the statement of net position and is being amortized to interest expense over the life of the 2016 bonds.

On March 31, 2021, the County issued $4,650,000 in General Obligation Hospital Refunding Bonds, Series 2021, (the 2021 bonds) on behalf of the Medical Center. The proceeds of the 2021 bonds along with existing debt reserve funds were used to (1) pay the costs related to issuance of the 2021 bonds, and (2) refund $5,250,000 of the 2010-A bonds maturing during the years from 2021 through 2040. The refunding transaction decreased the total amount of future debt service requirements by $1,940,076. This resulted in an economic gain of $1,480,020. As a result of the refunding transaction, a deferred refunding gain of $109,005 was recognized for the difference between the book value of the refunded debt and the amount required to extinguish the debt. This deferred gain is reported as a deferred inflow of resources on the statement of net position and is being amortized to interest expense over the life of the 2021 bonds.

The indenture agreements for the bonds require the Medical Center to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay the bond principal and interest on the appropriate due dates. Such amounts were maintained and are included with assets limited as to use in the financial statements. The indenture agreements also include certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, and level of fees and rates charged. At December 31, 2023, the Medical Center was not in compliance with the rate covenants requiring that the debt service coverage ratio be no less than 1.15. As a result, the full amount outstanding as of December 31, 2023, is presented as current liabilities.

Note I - Bonds Payable - Continued

The debt service requirements on bonds payable as of December 31, 2023, are as follows:

	Principal	Interest	Total
2024	$ 12,110,000	$ 368,600	$ 12,478,600

The following is a summary of changes in bonds payable:

Outstanding at January 1, 2022	$ 13,255,000
Principal payments	(565,000)
Outstanding at January 1, 2023	12,690,000
Principal payments	(580,000)
Outstanding at December 31, 2023	$ 12,110,000

Note J - Leases

The Medical Center leases certain equipment and buildings, the terms of which expire in various years through 2024. Payments are based on each specific agreement and the periodic base rents range from $1,300 to $5,741 per month. The agreements do not contain variable lease payments.

The following is a summary of lease liabilities as of December 31:

	2023	2022
Current portion of lease liabilities	$ 8,950	$ 71,384
Noncurrent portion of lease liabilities		8,950
Total lease liabilities	$ 8,950	$ 80,334

The following is a summary of changes in lease liabilities of the Medical Center:

	2023	2022
Beginning balance at January 1	$ 80,334	$ 122,754
Lease liability incurred		29,754
Principal payments	(71,384)	(72,174)
Ending balance at December 31	$ 8,950	$ 80,334

Scheduled lease payments for the Medical Center's lease liabilities are as follows:

	Principal	Interest	Total
2024	$ 8,950	$ 150	$ 9,100

Note K - Interest Expense

Total interest costs are summarized as follows:

	2023	2022
Total interest incurred	$ 380,443	$ 399,171
Amortization of bond premium	(42,153)	(46,760)
Amortization of deferred outflows and inflows on advance refunding	61,911	61,654
Interest expense	$ 400,201	$ 414,065

Note L - Defined Benefit Pension Plan

Plan description

The Medical Center participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. Substantially all employees of the Medical Center are eligible to participate in KPERS. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. Substantially all public employees in Kansas are covered by KPERS. Participation by local political subdivisions and entities is optional, but irrevocable once elected. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Benefits

Benefits are established by statute and may only be changed by the Kansas Legislature. Members with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points."

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement, a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Note L - Defined Benefit Pension Plan - Continued

Contributions

Member contribution rates are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

KPERS has three benefit structures and funding depends on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members were hired before July 1, 2009, Tier 2 members were first employed on or after July 1, 2009, and Tier 3 members were first employed on or after January 1, 2015. Kansas law established the KPERS member-employee contribution rate at 6 percent of covered salary for all members for 2023 and 2022. The employer rates established by statute at December 31, 2023 and 2022, are 8.43 percent and 8.90 percent, respectively. The Medical Center employer contributions to KPERS for the years ended December 31, 2023 and 2022, were $2,075,994 and $2,344,084, respectively, equal to the statutory required contributions for each year.

Employer and nonemployer allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State
- School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The Medical Center is included in the local group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the Medical Center's share of the collective pension amounts as of December 31, 2023 and 2022, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the years ended June 30, 2023 and 2022, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of December 31, 2023, the Medical Center's proportion was 1.214 percent, which was a decrease of .038 percent from its share at December 31, 2022.

Net pension liability

At December 31, 2023 and 2022, the Medical Center reported a liability of $25,469,405 and $24,889,639, respectively, for its proportionate share of the net pension liability.

Note L - Defined Benefit Pension Plan - Continued

Actuarial assumptions

The total pension liability was determined by actuarial valuations as of December 31, 2022 and 2021, which were then rolled forward to June 30, 2023 and 2022, using the following actuarial assumptions:

Actuarial assumptions	2022	2021
Price inflation	2.75%	2.75%
Salary increases, including wage increases	3.50% - 12.00%	3.50% - 12.00%
Long-term rate of return net of investment expense and including price inflation	7.00%	7.00%

For 2022 and 2021, mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future morality improvements are anticipated using Scale MP-2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2023, are summarized in the following table:

Asset class	Long-term target allocation	Long-term expected real rate of return
U.S. Equities	23.50 %	5.20 %
Non-U.S. Equities	23.50	6.40
Private equity	8.00	9.50
Private real estate	11.00	4.45
Yield driven	8.00	4.70
Real return	11.00	3.25
Fixed income	11.00	1.55
Short-term investments	4.00	0.25
Total	100.00 %	

Discount rate

The discount rates used to measure the total pension liability as of December 31, 2022 and 2021, was 7.00 percent. The State and School employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The statutory cap for the year ended June 30, 2023, was 1.2 percent.

Note L - Defined Benefit Pension Plan - Continued

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the pension plan as of June 30, 2023, calculated using the discount rate of 7.00 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% decrease (6.00%)	Current discount rate (7.00%)	1% increase (8.00%)
Medical Center's share of net pension liability	$ 36,520,408	$ 25,469,405	$ 16,262,767

Pension expense

For the years ended December 31, 2023 and 2022, the Medical Center recognized pension expense of $4,298,092 and $3,502,456, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred outflows of resources and deferred inflows of resources

A summary of the collective deferred outflows of resources and deferred inflows of resources at December 31, 2023 and 2022, are included in the following tables. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

	2023	2022
Deferred outflows of resources		
Differences between expected and actual experience	$ 2,117,240	$ 941,429
Change of assumptions	2,699,402	3,978,465
Net difference between projected and actual earnings on pension plan investments	1,487,555	2,106,907
Changes in proportion and differences between Medical Center contributions and proportionate share of contributions	1,235,924	2,191,317
Employer contributions subsequent to the measurement date	907,509	1,119,319
Total deferred outflows of resources	$ 8,447,630	$ 10,337,437

Note L - Defined Benefit Pension Plan - Continued

	2023	2022
Deferred inflows of resources		
Differences between expected and actual experience	$ 3,587	$ 44,614
Changes in proportion and differences between Medical Center contributions and proportionate share of contributions	2,531,625	2,762,714
Total deferred inflows of resources	$ 2,535,212	$ 2,807,328

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2023, that will be recognized in pension expense in future years:

Year ended December 31,	Employer contributions subsequent to the measurement date	Recognition of net deferred outflows/(inflows) of resources by year	Total
2024	$ 907,509	$ 1,964,602	$ 2,872,111
2025		960,618	960,618
2026		1,849,002	1,849,002
2027		222,886	222,886
2028		7,801	7,801
	$ 907,509	$ 5,004,909	$ 5,912,418

Note M - Other Postemployment Benefit Plan

Plan description and benefits provided

The Kansas Public Employees Retirement System (KPERS) sponsors a long-term disability program for participating employers (the Plan). Participating employers pay the cost of the long-term disability and life insurance coverage for their eligible members as provided by K.S.A. 74-04927. The Hospital is considered to be participating in a single employer long-term disability plan. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than postemployment benefits (OPEB), the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

Note M - Other Postemployment Benefit Plan - Continued

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which includes Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

The death benefit paid to beneficiaries of disabled members is 150 percent of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the member's previous 12 months of compensation at the time of the past date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100 percent of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered employees

The Hospital has the following employees covered by the Plan as of December 31:

	2022	2021
Active employees	367	375

Total OPEB liability

At December 31, 2023 and 2022, the Medical Center reported a total OPEB liability of $245,836 and $260,011, respectively.

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations as of December 31, 2022 and 2021, which were then rolled forward to June 30, 2023 and 2022, using the following actuarial assumptions:

Actuarial assumptions	2022	2021
Price inflation	2.75%	2.75%
Wage inflation	3.00%	3.00%
Salary increases, including wage increases	3.50% - 10.00%	3.50% - 10.00%
Discount rate	3.65%	3.54%

Note M - Other Postemployment Benefit Plan - Continued

In 2022 and 2021, mortality rates used for the death benefits were based on the RP-2014 Mortality Tables. Mortality improvements were projected for future years using Projection Scales MP-2021. Mortality rates used for disability benefits were included in long-term disability claim termination rates.

The actuarial assumptions used in the December 31, 2022 and 2021 valuations were based on the results of the latest actuarial experience study conducted.

Changes in the total OPEB liability

	2023	2022
Liability at beginning of period	$ 260,011	$ 451,348
Changes for the year		
Service cost	59,278	114,287
Interest	11,302	12,218
Changes in economic/demographic gains or losses	(83,257)	(194,635)
Changes in assumptions or other inputs	(1,498)	(123,207)
Net change in liability	(14,175)	(191,337)
Liability at end of period	$ 245,836	$ 260,011

Sensitivity of the OPEB liability to changes in the discount rate

The following table presents the total OPEB liability as of June 30, 2023, calculated using the discount rate of 3.65 percent, as well as what the OPEB's liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current rate:

	1% decrease (2.65%)	Current discount rate (3.65%)	1% increase (4.65%)
Total OPEB liability	$ 259,078	$ 245,836	$ 231,968

OPEB expense

For the years ended December 31, 2023 and 2022, the Medical Center recognized OPEB expense of $16,628 and $80,904, respectively, which includes the changes in the total OPEB liability and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Note M - Other Postemployment Benefit Plan - Continued

Deferred outflows and resources and deferred inflows of resources

A summary of the collective deferred outflows of resources and deferred inflows of resources related to the OPEB plan at December 31, 2023 and 2022, are included in the tables below.

	2023	2022
Deferred outflows of resources		
Differences between actual and expected experience	$ 32,285	$ 39,111
Changes in assumptions	20,008	23,534
Total deferred outflows of resources	$ 52,293	$ 62,645
Deferred inflows of resources		
Differences between expected and actual experience	$ 354,783	$ 321,979
Changes in assumptions	104,420	116,773
Total deferred inflows of resources	$ 459,203	$ 438,752

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2023, that will be recognized in OPEB expense in future years:

Year ended December 31,	Recognition of net deferred outflows/(inflows) of resources by year
2024	$ (53,952)
2025	(53,952)
2026	(53,633)
2027	(50,925)
2028	(48,480)
Thereafter	(145,968)
	$ (406,910)

Note N - Employee Health Insurance

The Medical Center is self-insured for health insurance claims of its employees. The Medical Center has reinsured a portion of its risk for such claims. The reinsurance arrangement covers annual claims in excess of $100,000 for each covered individual. The reinsurance arrangement also covers aggregate annual claims in excess of an amount determined in relation to the number of individuals participating in the self-insured health benefits plan during the year. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. Contributions by the Medical Center and

Note N - Employee Health Insurance - Continued

participating employees are remitted to the Southwest Medical Center Employee Health Plan Trust. The Trust has retained an insurance company as its agent to process and settle claims. The Trust reimburses the agent weekly for the amount of claims paid by the agent net of any amounts covered by reinsurance. The following is a summary of the activity under this arrangement:

	2023	2022
Estimated net health insurance claims payable at beginning of year	$ 251,747	$ 318,588
Provision for Medical Center's share of incurred claims and related expenses for the year, net of any reinsurance proceeds	2,318,819	2,735,951
Employee contributions	1,093,409	1,164,404
Payments made for claims and related expenses	(3,398,691)	(3,967,196)
Estimated net health insurance claims payable at end of year	265,284	251,747
Trust assets available for payment of claims and related expenses	1,373,714	1,530,311
Net estimated prepaid expense for health insurance claims at end of year	$ (1,108,430)	$ (1,278,564)

Note O - Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2023 and 2022, is as follows:

	2023	2022
Medicare	21 %	19 %
Medicaid	16	18
Blue Cross	14	15
Other third-party payors	24	26
Patients	25	22
	100 %	100 %

Note P - Related Party Transactions

During December 31, 2023, the Medical Center received $295,538 from the Foundation for the acquisition of capital assets and $315,000 for the payment of the pledge made as of the Foundation's June 30, 2022 year-end. During December 31, 2022, the Medical Center received a $315,000 pledge from the Foundation for the acquisition of capital assets. This pledge is included in assets limited to use by contributors and grantors for capital acquisitions for the Medical Center as of December 31, 2022, and accrued liabilities for the Foundation as of June 30, 2022.

Note Q - Risk Management

For the years ended December 31, 2023 and 2022, the Medical Center was insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $500,000 effective November 21, 2022, and $200,000 prior to November 21, 2022, per occurrence up to an annual aggregate of $1,500,000 effective November 21, 2022, and $600,000 prior to November 21, 2022, 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 effective November 21, 2022, and $800,000 prior to November 21, 2022, 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 effective November 21, 2022, and $2,400,000 prior to November 21, 2022. The policy provided by the independent insurance carrier provides for umbrella liability coverage in excess of the underlying limits set forth above in the amount of $2,000,000 per occurrence with an aggregate amount in any policy year of $2,000,000. All coverage is on a claims-made basis. The above policies are currently in effect through November 21, 2024. 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 risks 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. Settled claims have not exceeded this commercial coverage in any of the past three years.

Required Supplementary Information

Southwest Medical Center
Schedule of Medical Center's Proportionate Share of the Net Defined Pension Plan Liability
Kansas Public Employees' Retirement System Plan
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Medical Center's proportion of the net pension liability	1.2140%	1.2520%	1.5053%	1.3223%	1.2845%	1.1710%	1.0805%	1.0368%	1.0293%	0.9772%
Medical Center's proportionate share of the net pension liability	$ 25,469,405	$ 24,889,639	$ 18,062,893	$ 22,923,725	$ 17,949,317	$ 16,321,574	$ 15,651,026	$ 16,039,277	$ 13,315,032	$ 12,027,370
Medical Center's covered employee payroll	$ 24,626,263	$ 26,338,022	$ 24,722,041	$ 29,892,184	$ 24,212,126	$ 22,146,496	$ 19,835,721	$ 18,126,275	$ 17,693,998	$ 16,526,686
Medical Center's proportionate share of the net pension liability as a percentage of its covered employee payroll	103.42%	94.50%	73.06%	76.69%	74.13%	73.70%	78.90%	88.49%	75.25%	72.78%
Plan fiduciary net position as a percentage of the total pension liability	70.55%	70.66%	81.14%	70.77%	75.02%	74.22%	72.15%	68.55%	71.98%	72.56%

Notes to Schedule: The amounts presented for each fiscal year are at the measurement date (June 30 of each previous fiscal year).

Southwest Medical Center
Schedule of Medical Center Contributions to Defined Pension Plan
Kansas Public Employees' Retirement System Plan
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 2,075,994	$ 2,344,084	$ 2,192,845	$ 2,573,717	$ 2,152,458	$ 1,858,091	$ 1,678,102	$ 1,663,992	$ 1,677,391	$ 1,460,959
Contributions in relation to the contractually required contribution	(2,075,994)	(2,344,084)	(2,192,845)	(2,573,717)	(2,152,458)	(1,858,091)	(1,678,102)	(1,663,992)	(1,677,391)	(1,460,959)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Medical Center's covered employee payroll	$ 24,626,263	$ 26,338,022	$ 24,722,041	$ 29,892,184	$ 24,212,126	$ 22,146,496	$ 19,835,721	$ 18,126,275	$ 17,693,998	$ 16,526,686
Contributions as a percentage of covered employee payroll	8.43%	8.90%	8.87%	8.61%	8.89%	8.39%	8.46%	9.18%	9.48%	8.84%

Notes to Schedule: The amounts presented for each fiscal year are at the measurement date (June 30 of each previous fiscal year).

Southwest Medical Center
Schedule of Changes in the Medical Center's OPEB Liability and Related Ratios
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017
Service cost	$ 59,278	$ 114,287	$ 94,583	$ 76,823	$ 63,232	$ 62,687	$ 64,002
Interest on total OPEB liability	11,302	12,218	10,155	16,671	12,698	11,619	7,561
Changes in economic/demographic gains or losses	(83,257)	(194,635)	(19,270)	(147,565)	66,415	(58,781)	
Changes in assumption changes or inputs	(1,498)	(123,207)	959	26,459	7,355	(4,385)	(9,711)
Benefit payments				(13,790)	(16,375)		(2,581)
Net change in total OPEB liability	(14,175)	(191,337)	86,427	(41,402)	133,325	11,140	59,271
OPEB liability, beginning	260,011	451,348	364,921	406,323	272,998	261,858	202,587
OPEB liability, ending	$ 245,836	$ 260,011	$ 451,348	$ 364,921	$ 406,323	$ 272,998	$ 261,858
Covered payroll	$ 23,148,332	$ 24,663,102	$ 28,403,798	$ 23,385,454	$ 21,302,224	$ 18,546,765	$ 17,691,191
OPEB liability as a % of covered payroll	1.06%	1.05%	1.59%	1.56%	1.91%	1.47%	1.48%

Notes to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are at the measurement date (June 30 of each previous fiscal year).

Supplementary Information

Southwest Medical Center
Balance in Depository Compared with Depository Security
December 31, 2023

	Bank balances	F.D.I.C. coverage	Balance subject to pledging of securities	Market value of securities pledged	Market value of securities pledged in excess of depository requirements
Equity Bank	$ 35,271,216	$ 500,000	$ 34,771,216	$ 36,012,704	$ 1,241,488
Community Bank	6,000,000	250,000	5,750,000	6,194,998	444,998

Southwest Medical Center
Schedule of Revenues and Expenses with Budget Comparison
Year ended December 31, 2023

	Actual	Budget	Over (under)
Net patient service revenue	$ 66,003,066	$ 77,968,100	$ (11,965,034)
Other	325,937	307,000	18,937
Total operating revenues	66,329,003	78,275,100	(11,946,097)
Total operating expenses	78,725,927	77,417,115	1,308,812
Operating income (loss)	(12,396,924)	857,985	(13,254,909)
Nonoperating revenues (expenses)	(113,388)	(252,000)	138,612
Excess of revenues over (under) expenses before capital grants and contributions	$ (12,510,312)	$ 605,985	$ (13,116,297)

Southwest Medical Center
Summary of Insurance Coverage
December 31, 2023

Insurer	Type of coverage	Coverage amount	Term
KaMMCO Insurance Company	Hospital professional liability Other liability Personal injury/property	HPL $500,000/$1,500,000 PL $1,000,000/$3,000,000 PIP $1,000,000/$3,000,000	November 21, 2023 to November 21, 2024
Kansas Health Care Provider Insurance Availability Act	Excess hospital professional liability	$500,000/$1,500,000	November 21, 2023 to November 21, 2024
KaMMCO Insurance Company	Umbrella liability	$2,000,000/$2,000,000	November 21, 2023 to November 21, 2024
Cincinnati Financial	Directors, Officers, and Trustees liability Employment practices liability Fiduciary and Trustee liability Workplace violence	$2,000,000/$2,000,000 $2,000,000/$2,000,000 $2,000,000/$2,000,000 $100,000/$100,000	January 1, 2023 to January 1, 2024
KaMMCO Insurance Company	Fire legal liability	$50,000/$50,000	November 21, 2023 to November 21, 2024
Saville Public Entity	Cyber liability	$1,000,000/$1,000,000	November 21, 2023 to November 21, 2024
Great American Alliances Insurance Company	Underground Storage Tank	$500,000/$1,000,000	February 16, 2023 to February 16, 2024
Chubb Insurance	Property	Real - $71,201,102 Personal - $24,630,228 Business interruption - $60,678,409	January 1, 2023 to January 1, 2024
Cincinnati Financial	Auto liability and physical damage	$1,000,000/$1,000,000	January 1, 2023 to January 1, 2024

Southwest Medical Center
Summary of Insurance Coverage - Continued
December 31, 2023

Insurer	Type of coverage	Coverage amount	Term
Cincinnati Financial	Commercial crime	Employee theft - $500,000 Forgery/alteration - $250,000 Theft of money and securities - inside premises - $25,000 Money and securities - outside premises - $5,000 Computer fraud - $250,000 Fund transfer fraud - $250,000 Social engineering - $250,000 Money orders and counterfeit money - $25,000	January 1, 2023 to January 1, 2024
KHA Workers' Compensation Fund, Inc.	Workers' compensation and employers liability (Kansas)	Statutory: Bodily injury by accident - $500,000 each accident Bodily injury by disease - $500,000 policy limit Bodily injury by disease - $500,000 each employee	January 1, 2023 to January 1, 2024