Graham County Hospital

A Component Unit of Graham County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023

Graham County Hospital
A Component Unit of Graham County, Kansas
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December 31, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Graham County Hospital
Hill City, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Graham County Hospital (Hospital), a component unit of Graham County, Kansas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which comprise Graham County Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Graham County Hospital as of December 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Graham County Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Graham County Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Required Supplementary Information

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

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

Forvis Mazars, LLP

Wichita, Kansas
July 15, 2025

Graham County Hospital
A Component Unit of Graham County, Kansas
Balance Sheets
December 31, 2024 and 2023

	2024	2023
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 1,554,743	$ 618,552
Restricted cash	3,477,721	345,336
Patient accounts receivable, net of allowance; 2024 – $638,000; 2023 – $589,000	1,686,836	1,381,113
Estimated amounts due from third-party payers	-	165,849
Supplies	277,569	255,620
Other receivables	768,099	1,014,569
Prepaid expenses and other	265,281	386,048
Total Current Assets	8,030,249	4,167,087
Noncurrent Investments		
Certificates of deposit designated by Board of Trustees	8,860,909	9,753,336
Farmland	1,927,140	1,368,760
	10,788,049	11,122,096
Capital Assets, Net	4,118,674	2,297,378
Scholarship Receivable	500	-
Total Assets	22,937,472	17,586,561
Deferred Outflows of Resources		
Pension	1,082,223	1,458,398
Other postemployment benefits	2,409	2,488
Total Deferred Outflows of Resources	1,084,632	1,460,886
Total Assets and Deferred Outflows of Resources	$ 24,022,104	$ 19,047,447

See Notes to Financial Statements

	2024	2023
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 691,731	$ 253,180
Accrued expenses	699,335	816,408
Estimated amounts due to third-party payers	297,000	-
Unearned revenue	2,305,223	-
Total Current Liabilities	3,993,289	1,069,588
Net Pension Liability	4,108,833	4,326,006
Total Other Postemployment Benefits Liability	45,556	47,261
Total Liabilities	8,147,678	5,442,855
Deferred Inflows of Resources		
Pension	257,368	142,150
Other postemployment benefits	60,256	56,243
Total Deferred Inflows of Resources	317,624	198,393
Net Position		
Net investment in capital assets	4,118,674	2,297,378
Unrestricted	11,438,128	11,108,821
Total Net Position	15,556,802	13,406,199
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 24,022,104	$ 19,047,447

Graham County Hospital
A Component Unit of Graham County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts, 2024 – $631,589; 2023 – $457,748	$ 9,644,563	$ 8,818,814
Other	1,416,972	1,548,899
Total Operating Revenues	11,061,535	10,367,713
Operating Expenses		
Salaries and wages	4,929,695	4,761,901
Employee benefits	1,794,164	1,797,238
Purchased services and professional fees	1,708,937	1,648,256
Other supplies and expenses	2,757,459	2,463,064
Depreciation	362,925	407,294
Total Operating Expenses	11,553,180	11,077,753
Operating Loss	(491,645)	(710,040)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Graham County	802,304	795,594
Investment income	1,073,346	578,557
Gain (loss) on disposal of capital assets	(2,107)	10,000
Noncapital grants and gifts	73,928	77,342
Total Nonoperating Revenues (Expenses)	1,947,471	1,461,493
Income Before Capital Grants and Gifts		
Capital grants and gifts	694,777	-
Increase in Net Position	2,150,603	751,453
Net Position, Beginning of Year	13,406,199	12,654,746
Net Position, End of Year	$ 15,556,802	$ 13,406,199

Graham County Hospital
A Component Unit of Graham County, Kansas
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 9,801,689	$ 10,235,394
Payments to suppliers and contractors	(4,119,067)	(3,633,007)
Payments to employees	(6,564,325)	(6,103,598)
Other receipts, net	3,722,195	1,548,899
Net Cash Provided by Operating Activities	2,840,492	2,047,688
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Graham County	802,304	795,594
Noncapital grants and gifts	73,928	77,342
Net Cash Provided by Noncapital Financing Activities	876,232	872,936
Cash Flows From Capital and Related Financing Activities		
Capital grants and gifts	694,777	-
Proceeds from sale of capital assets	-	10,000
Purchases of capital assets	(1,749,818)	(224,250)
Net Cash Used in Capital and Related Financing Activities	(1,055,041)	(214,250)
Cash Flows From Investing Activities		
Interest income received	514,966	217,487
Purchase of investments	(5,735,352)	(3,154,095)
Proceeds from disposition of investments	6,627,779	524,990
Payment of scholarship sponsorship	(500)	-
Net Cash Provided by (Used in) Investing Activities	1,406,893	(2,411,618)
Increase in Cash and Cash Equivalents	4,068,576	294,756
Cash and Cash Equivalents, Beginning of Year	963,888	669,132
Cash and Cash Equivalents, End of Year	$ 5,032,464	$ 963,888

Graham County Hospital
A Component Unit of Graham County, Kansas
Statements of Cash Flows – Continued
Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 1,554,743	$ 618,552
Restricted cash	3,477,721	345,336
Total Cash and Cash Equivalents	$ 5,032,464	$ 963,888
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (491,645)	$ (710,040)
Depreciation	362,925	407,294
Provision for uncollectible accounts	631,589	457,748
Changes in operating assets and liabilities		
Patient accounts receivable	(937,312)	455,250
Estimated amounts due from and to third-party payers	462,849	503,582
Accounts payable and accrued expenses	(115,032)	169,227
Other assets and liabilities	345,288	372,584
Unearned revenue	2,305,223	-
Net pension liability	(217,173)	242,225
Total other postemployment benefits liability	(1,705)	2,810
Deferred outflows of resources - pension and OPEB	376,254	198,080
Deferred inflows of resources - pension and OPEB	119,231	(51,072)
Net Cash Provided by Operating Activities	$ 2,840,492	$ 2,047,688
Noncash Investing, Capital and Financing Activities		
Capital assets acquisitions included in accounts payable	$ 436,510	$ -

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

Nature of Operations and Reporting Entity

Graham County Hospital (Hospital) is an acute care hospital located in Hill City, Kansas. The Hospital is a component unit of Graham County (County) and governed by an elected five-member Board of Trustees. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Graham County area.

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted primarily of money market accounts.

Restricted Cash

The Hospital has a health reimbursement arrangement to cover medical expenses for its employees. The Hospital decides how much cash to put into the plan and the employees can request reimbursement for actual medical expenses incurred up to that amount. The Hospital funds and owns the arrangement. A corresponding liability is recorded and included as a component of accrued expenses in the accompanying balance sheets.

Restricted Cash also includes unspent funds received from a $3,000,000 Rural Hospital Innovation Grant (RHIG) the hospital was awarded to fund construction of a new clinic building and hospital renovations.

Noncurrent Investments and Investment Income

Noncurrent investments include assets consisting of certificates of deposit, carried at amortized cost, and farmland, carried at fair value. The certificates of deposit are set aside by the Board of Trustees for future capital improvements over which the Board of Trustees retains control and may at its direction subsequently use for other purposes. The farmland was gifted by a donor’s estate and is being held for the purpose of income.

Investment income includes interest income and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

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

Land improvements	5 – 20 years
Buildings	5 – 40 years
Equipment	3 – 20 years

The Hospital entered into a construction management contract to construct a new clinic building and hospital renovations. Total project cost is estimated to be approximately $8,500,000, of which approximately $2,200,000 has been capitalized as of December 31, 2024. The Hospital was awarded a $3,000,000 Rural Hospital Innovation Grant (RHIG) to help fund the project. The RHIG is administered by the Secretary of the Kansas Department of Health and Environment (KDHE).

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Deferred Outflows of Resources

The Hospital reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheets.

Compensated Absences

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

Risk Management

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

Cost-Sharing Defined Benefit Pension Plan

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement Savings Plan (KPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan

The Hospital participates in a defined benefit other postemployment benefit (OPEB) plan, Long-term Disability (LTD) Plan (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

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

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

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

Patient Financial Assistance

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its patient financial assistance program. Because the Hospital does not pursue collection of amounts determined to qualify for the patient financial assistance program, these amounts are not reported as net patient service revenue.

Noncapital Appropriations – Graham County

The Hospital received approximately 6% and 7% in 2024 and 2023, respectively of its financial support from proceeds of noncapital appropriations for property and sales taxes. The Hospital requests sales tax funds from the County on an as needed basis.

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

Income Taxes

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

Note 2. Deposits and Investments

Deposits

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

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

At December 31, 2024 and 2023, $13,212,942 and $8,827,261 of the Hospital's bank balances of $13,964,248 and $10,603,218, respectively, were exposed to custodial credit risk as follows:

	2024	2023
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	$ 13,212,942	$ 8,827,261

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets as follows:

	2024	2023
Carrying value		
Deposits	$ 13,893,373	$ 10,717,224
Included in the following balance sheet captions		
Cash and cash equivalents	$ 1,554,743	$ 618,552
Restricted cash	3,477,721	345,336
Noncurrent investments - certificates of deposit	8,860,909	9,753,336
	$ 13,893,373	$ 10,717,224

Investments

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level I inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Hospital has the following recurring fair value measurements as of December 31, 2024 and 2023:

- Farmland of $1,927,140 and $ 1,368,760, at December 31, 2024 and 2023, respectively, is valued using a comparative market analysis (Level 2 input).

Note 3. Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	2024	2023
Medicare	$ 1,152,287	$ 1,138,335
Medicaid	82,196	28,567
Other third-party payers	345,341	91,900
Patients	745,012	711,311
	2,324,836	1,970,113
Less allowance for uncollectible accounts	638,000	589,000
	$ 1,686,836	$ 1,381,113

Note 4. Capital Assets

Capital assets activity for the years ended December 31 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 92,094	$ -	$ -	$ -	$ 92,094
Land improvements	89,920	-	-	-	89,920
Buildings	3,839,939	72,042	-	-	3,911,981
Equipment	4,055,425	80,676	(8,850)	62,729	4,189,980
Construction in progress	200,688	2,033,610	-	(62,729)	2,171,569
	8,278,066	2,186,328	(8,850)	-	10,455,544
Less accumulated depreciation					
Land improvements	81,295	956	-	-	82,251
Buildings	2,775,777	81,725	-	-	2,857,502
Equipment	3,123,616	280,244	(6,743)	-	3,397,117
	5,980,688	362,925	(6,743)	-	6,336,870
Capital assets, net	$ 2,297,378	$1,823,403	$ (2,107)	$ -	$ 4,118,674

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 86,154	$ 5,940	$ -	$ -	$ 92,094
Land improvements	89,920	-	-	-	89,920
Buildings	3,839,939	-	-	-	3,839,939
Equipment	4,048,794	17,622	(10,991)	-	4,055,425
Construction in progress	-	200,688	-	-	200,688
	8,064,807	224,250	(10,991)	-	8,278,066
Less accumulated depreciation					
Land improvements	80,252	1,043	-	-	81,295
Buildings	2,688,727	87,050	-	-	2,775,777
Equipment	2,815,406	319,201	(10,991)	-	3,123,616
	5,584,385	407,294	(10,991)	-	5,980,688
Capital assets, net	$ 2,480,422	$ (183,044)	$ -	$ -	$ 2,297,378

Note 5. Professional Liability Coverage and Claims

The Hospital purchases professional liability insurance which provides $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of professional liability claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 6. Net Patient Service Revenue

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

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

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

Approximately 77% and 71% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for years ended December 31, 2024 and 2023, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 7. Patient Financial Assistance

The costs of patient financial assistance provided under the Hospital's patient financial assistance program were approximately $7,000 and $27,000 for 2024 and 2023, respectively. The cost of patient financial assistance is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 8. 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $1,324,841 and $1,426,544 for the years ending December 31, 2024 and 2023, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of $909,224 and $720,285 for the years ending December 31, 2024 and 2023, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 9. Pension Plan

Plan Description

The Hospital contributes to the Kansas Public Employees Retirement System (KPERS) plan a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. The KPERS is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: *Kansas Public Employees Retirement System, Kansas Police and Fire Retirement System and Kansas Retirement System for Judges*.

The KPERS is intended to be a qualified retirement plan under Section 401(a) of the Internal Revenue Code. Benefit provisions are contained in the plan document and were established and can be amended by action of KPERS's governing body. The KPERS issues a publicly available financial report that can be obtained by writing to KPERS, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or accessing the internet at www.KPERS.org.

KPERS makes separate calculations for pension-related amounts for the following four groups participating in the plan:

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

The Hospital's employees participate in the Local group.

Benefits Provided

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. The plan has two levels of benefits depending on retirement age and years of credited service. Tier 1 benefits are for members who are age 65 or age 62 with ten years of credited service or of any age when combined age and years of credited service equal 85 "points." Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service.

Early retirement is permitted at the age of 55 and 10 years of credited service. Benefits are reduced by 0.2% per month for each month between the ages of 60-62, plus 0.6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). The plan also provides disability and death benefits to plan members and their beneficiaries.

The terms of the plan provide for annual 2% cost-of-living adjustment for Tier 2 members who retired prior to July 1, 2012, beginning the later of age of 65 or the second July 1 after retirement date. Other participants do not receive a cost-of-living adjustment.

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's contractually required contribution rate for the years ended December 31, 2024 and 2023, was 9.26% and 8.43% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended December 31, 2024 and 2023, were $420,844 and $374,358, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2024 and 2023, the Hospital reported a liability of $4,108,833 and $4,326,006, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2023 and 2022, respectively, rolled forward to June 30, 2024 and 2023, respectively. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2024, the Hospital's proportion was 0.193427%, which was a decrease of 0.0012779% from its proportion measured as of June 30, 2023, of 0.206206%. At June 30, 2023, the Hospital's proportion was 0.205417%.

For the years ended December 31, 2024 and 2023, the Hospital recognized pension expense of $696,394 and $763,018, respectively. At December 31, 2024 and 2023, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 499,813	$ -
Net difference between projected and actual earnings on pension plan investments	25,172	-
Changes of assumptions	248,357	-
Changes in proportion	89,719	257,368
Hospital's contributions subsequent to the measurement date	219,162	-
Total	$ 1,082,223	$ 257,368

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 359,615	$ 609
Net difference between projected and actual earnings on pension plan investments	252,663	-
Changes of assumptions	458,496	-
Changes in proportion	194,136	141,541
Hospital's contributions subsequent to the measurement date	193,488	-
Total	$ 1,458,398	$ 142,150

At December 31, 2024, the Hospital reported $219,162 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2024, related to pensions will be recognized in pension expense as follows:

2025	$ 209,278
2026	359,411
2027	50,742
2028	(13,738)
	$ 605,693

Actuarial Assumptions

The total pension liability in the December 31, 2023 and 2022, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2023	2022
Inflation	2.75%	2.75%
Salary increases, including inflation	3.50% to 15.50%	3.50% to 12.00%
Investment rate of return, net of pension plan investment expense, including inflation	7.00%	7.00%

Mortality rates used in the December 31, 2023 actuarial valuation were based on the PUB 2010 Mortality Tables, with age setbacks and age set forwards based on different membership groups.

Mortality rates used in the December 31, 2022 actuarial valuation were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study prepared during 2023.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the three-year period ended December 31, 2018.

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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

	2024		2023	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities	0.0%	0.00%	23.5%	5.20%
Non-U.S. equities	43.0%	8.20%	23.5%	6.40%
Core fixed income	13.0%	2.20%	0.0%	0.00%
Private equity	0.0%	0.00%	8.0%	9.50%
Infrastructure	3.0%	6.80%	0.0%	0.00%
Real estate	15.0%	5.70%	11.0%	4.45%
Alternatives	11.0%	12.00%	0.0%	0.00%
Yield driven	12.0%	5.30%	8.0%	4.70%
Real return	0.0%	0.00%	11.0%	3.25%
Fixed income	0.0%	0.00%	11.0%	1.55%
Short-term investments	3.0%	0.30%	4.0%	0.25%
	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for the years ended June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Hospital's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate as of December 31, 2024:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability	$ 5,948,467	$ 4,108,833	$ 2,571,402

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS' financial report.

Note 10. Other Postemployment Benefit Plan

Plan Description

The Hospital contributes to the KPERS Long-term Disability plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered by a board of trustees appointed by KPERS. The OPEB Plan's assets are not accumulated in a qualified trust because contributions from the employer to the OPEB plan and earnings on those contributions are not irrevocable. Benefit provisions are contained in the plan document and were established and can be amended by action of the KPERS's governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of 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 include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

The employees covered by the benefit terms at June 30 (the measurement date), are:

	2024	2023
Active employees	$ 64	$ 66
Disabled employees	-	-
	$ 64	$ 66

Total OPEB Liability

The Hospital's total OPEB liability of $45,556 and $47,261 was measured as of June 30, 2024 and 2023, for the years ended December 31, 2024 and 2023, respectively, and was determined by actuarial valuations as of December 31, 2023 and 2022, respectively, and rolled forward to June 30, 2024 and 2023, respectively.

The total OPEB liability in the December 31, 2023 and 2022, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2024	2023
Inflation	2.75%	2.75%
Discount rate	3.93%	3.65%
Salary increases, including inflation	3.50% to 10.30%	3.50% to 10.00%

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 3.54% in 2022 to 3.65% in 2023 to 3.93% in 2024.

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, as appropriate with adjustments for mortality improvements based on MP-2021 Mortality Tables for the December 31, 2023 and 2022, actuarial valuations.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study prepared during 2023.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the three-year period ended December 31, 2018.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2024	2023
Balance, beginning of year	$ 47,261	$ 44,451
Changes for the year:		
Service cost	9,712	9,967
Interest	2,079	1,927
Differences between expected and actual experience	(13,894)	(8,815)
Changes of assumptions	398	(269)
Net changes	(1,705)	2,810
Balance, end of year	$ 45,556	$ 47,261

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the Hospital, at December 31, 2024, has been calculated using a discount rate of 3.93%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Hospital's total OPEB liability	$ 47,792	$ 45,556	$ 43,182

The total OPEB liability of the Hospital is not impacted by health care cost trend rates given the nature of the benefits provided by the OPEB plan, as such no sensitivity tables were prepared for the health care trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2024 and 2023, the Hospital recognized OPEB expense of $2,387 and $3,821, respectively. At December 31, 2024 and 2023, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (46,941)
Changes of assumptions	2,409	(13,315)
Total	$ 2,409	$ (60,256)

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (40,906)
Changes of assumptions	2,488	(15,337)
Total	$ 2,488	$ (56,243)

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2024, related to OPEB will be recognized in OPEB expense as follows:

2025	$ (9,404)
2026	(9,361)
2027	(8,809)
2028	(7,652)
2029	(7,143)
Thereafter	(15,478)
	$ (57,847)

Note 11. COVID-19 Pandemic Funding

Other COVID-19 Funding

During the year ended December 31, 2023, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received $153,978 during 2023 related to this SHIP grant. The recognition of the payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position at December 31, 2023.

Required Supplementary Information

Graham County Hospital
A Component Unit of Graham County, Kansas
Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2024 *	2023 *	2022 *	2021 *
Hospital's proportion of the net pension liability	0.193427%	0.206206%	0.205417%	0.222516%
Hospital's proportionate share of the net pension liability	$ 4,108,833	$ 4,326,006	$ 4,083,781	$ 2,670,095
Hospital's covered-employee payroll	$ 4,492,775	$ 4,410,109	$ 4,379,426	$ 4,138,397
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	91.45%	98.09%	93.25%	64.52%
Plan fiduciary net position as a percentage of the total pension liability	72.75%	70.70%	69.75%	76.40%

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the year reported).

2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
0.198163%	0.185174%	0.181446%	0.181255%	0.194302%	0.207488%
$ 3,435,461	$ 2,587,570	$ 2,528,976	$ 2,625,398	$ 3,005,909	$ 2,724,409
$ 3,769,666	$ 3,428,963	$ 3,289,696	$ 3,214,297	$ 3,330,742	$ 3,680,191
91.13%	75.46%	76.88%	81.68%	90.25%	74.03%
66.30%	69.88%	68.88%	67.12%	65.10%	64.95%

Graham County Hospital
A Component Unit of Graham County, Kansas
Schedule of the Hospital's Pension Contribution
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2024 *	2023 *	2022 *	2021 *
Contractually required contribution	$ 420,844	$ 374,358	$ 389,769	$ 378,447
Contribution in relation to the contractually required contribution	420,844	374,358	389,769	378,447
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	$ 4,544,757	$ 4,440,792	$ 4,379,426	$ 4,266,603
Contributions as a percentage of covered-employee payroll	9.26%	8.43%	8.90%	8.87%

*The amounts presented for each fiscal year are as of the fiscal year-end (December 31 of the year reported).

2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
$ 345,277	$ 313,741	$ 279,285	$ 273,890	$ 289,442	$ 310,354
345,277	313,741	279,285	273,890	289,442	310,354
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,010,191	$ 3,529,142	$ 3,328,783	$ 3,250,609	$ 3,152,963	$ 3,520,988
8.61%	8.89%	8.39%	8.43%	9.18%	8.81%

Graham County Hospital
A Component Unit of Graham County, Kansas
Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2024 *	2023 *	2022 *
Total OPEB Liability			
Service cost	$ 9,712	$ 9,967	$ 15,898
Interest	2,079	1,927	1,627
Differences between expected and actual experience	(13,894)	(8,815)	(14,377)
Changes in assumptions	398	(269)	(18,119)
Benefit payments	-	-	-
Net Change in Total OPEB Liability	(1,705)	2,810	(14,971)
Hospital's Total OPEB Liability - Beginning	47,261	44,451	59,422
Hospital's Total OPEB Liability - Ending	$ 45,556	$ 47,261	$ 44,451
Hospital's Covered-employee Payroll	$ 4,186,174	$ 4,239,258	$ 4,129,570
Hospital's Total OPEB Liability as a Percentage of Covered-Employee Payroll	1.09%	1.11%	1.08%
Discount Rate	3.93%	3.65%	3.54%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the year reported).

2021 *	2020 *	2019 *	2018 *	2017 *
$ 13,394	$ 12,275	$ 9,817	$ 9,729	$ 11,491
1,387	2,142	2,035	2,035	1,539
(4,824)	(16,927)	(5,556)	(13,850)	-
110	3,361	845	(588)	(1,287)
-	(800)	(1,200)	(2,137)	(12,088)
10,067	51	5,941	(4,811)	(345)
49,355	49,304	43,363	48,174	48,519
$ 59,422	$ 49,355	$ 49,304	$ 43,363	$ 48,174
$ 3,972,473	$ 3,468,425	$ 3,473,023	$ 2,917,992	$ 3,116,588
1.50%	1.42%	1.42%	1.49%	1.55%
2.16%	2.21%	3.50%	3.87%	3.58%