**Independent Auditor's Report and Financial Statements**

# Labette County Medical Center
# d/b/a Labette Health

**December 31, 2024 and 2023**

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# Labette County Medical Center
# d/b/a Labette Health
# Management's Discussion and Analysis
# Years ended December 31, 2024 and 2023

Our discussion and analysis of the financial performance of Labette County Medical Center d/b/a Labette Health and our blended component units, Labette Health Endowment Association (LHEA) and Southeast Kansas Regional Health, Inc. (SEKRH), provides a narrative overview of Labette Health's financial activities for the years ended December 31, 2024 and 2023. Please read it in conjunction with the accompanying financial statements. Effective January 1, 2023, Southeast Kansas Regional Health, Inc. (SEKRH), is reported as a blended component unit and included in this management discussion and analysis for the years ended December 31, 2024 and 2023.

## Financial highlights

Labette Health's net position increased by $2,740,907 or 4.9 percent in 2024 and decreased by $1,963,979 or 3.4 percent in 2023.

Labette Health reported an operating loss of $3,502,524, $2,638,274, and $2,035,083 in 2024, 2023, and 2022, respectively.

## Using these financial statements

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

One of the most important questions asked about Labette Health's finances is, "Is Labette Health 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 Labette Health'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 Labette Health's net position and changes in it. Labette Health's net position - the difference between assets plus deferred outflows of resources, and liabilities - may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in Labette Health'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 Labette Health'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 Labette Health.

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

Assets, liabilities, and net position

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

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Assets | | | |
| Current assets | $ 41,518,570 | $ 37,962,743 | $ 40,618,633 |
| Assets limited as to use | 16,149,567 | 18,195,446 | 17,663,594 |
| Capital assets, net | 63,329,557 | 61,344,463 | 62,388,902 |
| Other assets | 10,759,536 | 10,896,580 | 11,058,325 |
| Total assets | 131,757,230 | 128,399,232 | 131,729,454 |
| Deferred outflows of resources | 171,571 | 201,965 | 232,360 |
| Liabilities | | | |
| Current liabilities | (16,547,764) | (14,629,083) | (16,192,805) |
| Long-term liabilities | (56,148,866) | (57,480,850) | (56,475,232) |
| Total liabilities | (72,696,630) | (72,109,933) | (72,668,037) |
| Net position | $ 59,232,171 | $ 56,491,264 | $ 59,293,777 |

Cash and cash equivalents in the current asset category decreased by $388,167 and by $1,242,652 in 2024 and 2023, respectively.

Net patient accounts receivable increased by $1,782,713 in 2024 and decreased by $1,167,943 in 2023, respectively. The number of days of net revenue represented by net accounts receivable was 49 days, 43 days, and 51 days as of December 31, 2024, 2023, and 2022, respectively.

Net capital assets increased by $1,985,094 in 2024 and decreased by $1,044,439 in 2023, respectively. Cash outlays for capital asset acquisitions totaled $5,554,685 during 2024, of which $397,264 was financed with proceeds from a note payable and the rest was paid for with operating cash flow and cash internally designated for capital acquisition. Cash outlays for capital asset acquisitions totaled $5,201,306 during 2023, of which $2,875,144 was financed with proceeds from the Series 2020 bonds and the rest was paid for with operating cash flow and cash internally designated for capital acquisition. At December 31, 2024, Labette Health had outstanding commitments of approximately $7,940,000 for building additions and renovations, a computer system conversion project, and equipment.

Labette Health's net position increased by $2,740,907 or 4.9 percent in 2024 and decreased by $1,963,979 or 3.4 percent in 2023. The percentage of total assets financed with net position, or equity, was 44.9 percent, 43.9 percent, and 44.9 percent as of December 31, 2024, 2023, and 2022, respectively.

Operating results and changes in net position

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

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Operating revenues | $ 96,813,622 | $ 94,936,304 | $ 88,745,879 |
| Operating expenses | 100,316,146 | 97,574,578 | 90,780,962 |
| Operating loss | (3,502,524) | (2,638,274) | (2,035,083) |
| Ambulance subsidy and sales tax revenue | 1,030,931 | 891,673 | 870,777 |
| Interest expense | (1,700,084) | (1,686,958) | (1,637,636) |
| COVID-19 grants, total | | | 4,220,482 |
| Other nonoperating revenues | 2,617,369 | 1,375,747 | 600,685 |
| Other capital revenues | 4,295,215 | 93,833 | 3,018 |
| Change in net position | $ 2,740,907 | $ (1,963,979) | $ 2,022,243 |

The first, and most significant, component of the overall change in Labette Health's net position is its operating income (loss) - generally, the difference between net patient service revenue and the expenses incurred to perform those services. Labette Health's operating loss increased by $864,250 in 2024 and increased by $603,191 in 2023.

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

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Inpatient services | $ 26,816,188 | $ 28,911,769 | $ 30,277,570 |
| Outpatient services | 194,881,624 | 188,479,935 | 181,606,177 |
| Physician services | 33,687,482 | 34,864,865 | 32,533,373 |
| Gross patient service revenue | 255,385,294 | 252,256,569 | 244,417,120 |
| Contractual adjustments | (151,234,044) | (153,992,207) | (148,964,746) |
| Provision for bad debts | (14,171,584) | (12,237,922) | (13,686,840) |
| Charity care | (1,343,619) | (1,211,799) | (1,185,531) |
| Net patient service revenue | $ 88,636,047 | $ 84,814,641 | $ 80,580,003 |

Labette Health strategically adjusted charges as needed to reflect higher costs during 2024 and 2023. Total inpatient revenues decreased by 7.3 percent during 2024. The decrease was a result of a 9.6 percent decrease in acute and ICU patient days, a 12.9 percent decrease in rehabilitation unit patient days in 2024, and an increase in nursery days of 8.9 percent. Total inpatient revenues decreased by 4.5 percent during 2023. The decrease was a result of a 5.6 percent decrease in acute and ICU patient days, a 22.4 percent decrease in rehabilitation unit patient days, and a 21.2 percent increase in nursery patients.

Outpatient revenues increased by 3.4 and 3.8 percent during 2024 and 2023, respectively, due to changes in outpatient registrations and charge mix. Physician revenues decreased by 3.4 percent in 2024 and increased by 7.2 percent during 2023 due to a change in the number of visits.

Labette Health has agreements with various third-party payors that provide for payments to it at amounts different from its established charge rates. These differences are referred to as contractual adjustments. These adjustments are affected by the mix of revenues as well as by increases in Labette Health's charge rates relative to changes in rates paid by third-party payors. Total contractual adjustments excluding charity care represent 59.2 percent, 61.0 percent, and 60.9 percent of gross patient service revenue during 2024, 2023, and 2022, respectively.

The provision for bad debts and charity care write-offs combined represent 6.1 percent, 5.3 percent, and 6.1 percent of gross patient service revenue during 2024, 2023, and 2022, respectively.

Employee salaries and wages increased by $1,505,073 or 3.4 percent during 2024 and increased by $1,950,363 or 4.6 percent during 2023. The number of full-time equivalent employees increased by 17 (2.7 percent) during 2024 and increased by 7 (1.2 percent) during 2023.

The cost of employee benefits equaled 19.8 percent, 18.4 percent, and 17.7 percent of salaries and wages during 2024, 2023, and 2022, respectively. Variations in employee benefit costs generally correlate with claims experience under Labette Health's self-insured employee health insurance plan.

Supplies and other expenses increased 0.9 percent during 2024 and increased by 10.3 percent during 2023. These changes are consistent with the patient volume fluctuations experienced by Labette Health combined with the general rate of health care inflation.

Nonoperating revenues include sales tax revenues received from the County. This subsidy offsets losses incurred by Labette Health in operating the local ambulance service.

This discussion and analysis is designed to provide a general overview of the Labette Health's finances and to discuss the significant changes in our financial statements. If you have any questions about our financial report, please contact the Administrative Office at Labette Health.

Wendling Noe Nelson & Johnson LLC
Certified Public Accountants and Business Advisors

Ashley R. Davis, CPA
Heather R. Eichem, CPA
Brian J. Florea, CPA
Eric L. Otting, CPA
Cameron L. Werth, CPA

Adam C. Crouch, CPA
Tyler R. Crow, CPA
Connie J. Holthaus, CPA
Stephanie D. Kennedy, CPA
Abby J. Noll, CPA

## Independent Auditor's Report

Board of Trustees
Labette County Medical Center
d/b/a Labette Health

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented components units of Labette County Medical Center d/b/a Labette Health, a component unit of Labette County, Kansas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Labette Health's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Labette County Medical Center d/b/a Labette Health as of December 31, 2024 and 2023, and the respective changes in financial position and cash flows 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 *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 Labette Health 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 Labette Health'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 *Government Auditing Standards* will always detect a material misstatement when it exists.


623 SW 10th Avenue, Suite 300, Topeka, Kansas 66612-1679 · (785)233-4226 · (888)272-9665 · FAX: (785)233-6830
www.wnnjcpa.com · EMAIL: wnnj@wnnjcpa.com

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Labette Health'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 Labette Health'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 4 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 audits 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 an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 basic financial statements themselves,

and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated August 19, 2025, on our consideration of Labette Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Labette Health's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Labette Health's internal control over financial reporting and compliance.

Wendling Noe Nelson : Johnson LLC

Topeka, Kansas
August 19, 2025

**Financial Statements**

# Labette County Medical Center
# d/b/a Labette Health
# Statements of Net Position
# December 31, 2024 and 2023

## Assets and Deferred Outflows of Resources

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Labette Health | Component units | Labette Health | Component units |
| **Current assets** | | | | |
| Cash and cash equivalents | $ 22,285,950 | $ 208,581 | $ 22,674,117 | $ 6,070 |
| Investments | | 435,322 | | 395,474 |
| Assets limited as to use | 517,177 | | 522,255 | |
| Patient accounts receivable, net | 11,881,855 | | 10,099,142 | |
| Lease receivables | | 168,562 | | 163,586 |
| Other receivables | 2,278,674 | 6,574 | 1,163,921 | 14,004 |
| Estimated third-party payor settlements | 1,313,946 | | 1,018,916 | |
| Inventories | 2,002,526 | | 1,941,474 | |
| Prepaid expenses | 1,238,442 | | 542,918 | |
| **Total current assets** | 41,518,570 | 819,039 | 37,962,743 | 579,134 |
| **Assets limited as to use** | | | | |
| Internally designated for capital assets | 13,956,964 | 298,700 | 16,342,557 | 298,700 |
| Under indenture agreement - held by trustee | 748,008 | | 740,306 | |
| By County for capital assets | 1,691,472 | | 1,364,538 | |
| Under indenture or loan agreement | | | | |
| For debt service | | 185,385 | | 158,593 |
| For specific operating activities | 270,300 | | 270,300 | |
| By contributors for specific operating activities | | 3,932,540 | | 5,481,237 |
| | 16,666,744 | 4,416,625 | 18,717,701 | 5,938,530 |
| Less amounts required to meet current obligations | 517,177 | | 522,255 | |
| | 16,149,567 | 4,416,625 | 18,195,446 | 5,938,530 |
| **Capital assets** | | | | |
| Capital assets not being depreciated | 7,516,193 | 352,831 | 2,784,607 | 352,831 |
| Depreciable capital assets, net | 40,213,740 | 3,246,630 | 42,941,197 | 3,629,573 |
| Lease assets, net | 15,411,882 | | 15,290,616 | |
| Subscription IT assets, net | 187,742 | | 328,043 | |
| **Capital assets, net** | 63,329,557 | 3,599,461 | 61,344,463 | 3,982,404 |
| **Other assets** | | | | |
| Leverage loan receivable | 9,959,600 | | 9,959,600 | |
| Advances receivable | 709,936 | | 876,980 | |
| Lease receivables, less current portion | | 14,289,547 | | 14,458,109 |
| Other | 90,000 | 160,730 | 60,000 | 137,233 |
| | 10,759,536 | 14,450,277 | 10,896,580 | 14,595,342 |
| **Total assets** | 131,757,230 | 23,285,402 | 128,399,232 | 25,095,410 |
| **Deferred outflows of resources** | | | | |
| Deferred outflows on advance refunding | 171,571 | | 201,965 | |
| **Total deferred outflows of resources** | 171,571 | - | 201,965 | - |
| **Total assets and deferred outflows of resources** | $ 131,928,801 | $ 23,285,402 | $ 128,601,197 | $ 25,095,410 |

The accompanying notes are an integral part of these statements.

## Liabilities, Deferred Inflows of Resources, and Net Position

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Labette Health | Component units | Labette Health | Component units |
| **Current liabilities** | | | | |
| Line of credit payable | $ 1,383,750 | $ - | $ 1,384,563 | $ - |
| Current maturities of long-term debt | 1,621,000 | 131,138 | 1,779,587 | 127,648 |
| Current maturities of lease liabilities | 467,414 | | 682,432 | |
| Current maturities of subscription IT liabilities | 146,714 | | 138,195 | |
| Accounts payable | 6,065,818 | | 4,996,115 | |
| Construction costs payable | 994,648 | | 115,342 | |
| Due to Labette Health | | 1,816 | | 46,378 |
| Accrued salaries, wages, and benefits | 3,286,154 | | 2,882,041 | |
| Accrued compensated absences | 1,988,926 | | 1,878,587 | |
| Accrued interest payable | 190,236 | | 183,145 | |
| Accrued health insurance claims | 290,000 | | 429,623 | |
| Estimated third-party payor settlements | 40,495 | | 125,934 | |
| Other current liabilities | 72,609 | | 33,519 | |
| **Total current liabilities** | 16,547,764 | 132,954 | 14,629,083 | 174,026 |
| **Long-term liabilities** | | | | |
| Long-term debt less current maturities | 40,414,264 | 5,017,284 | 41,638,000 | 5,148,422 |
| Lease liabilities less current maturities | 15,105,852 | | 15,156,554 | |
| Subscription IT liabilities less current maturities | 17,750 | | 134,296 | |
| Accrued compensated absences less current portion | 611,000 | | 552,000 | |
| **Total long-term liabilities** | 56,148,866 | 5,017,284 | 57,480,850 | 5,148,422 |
| **Total liabilities** | 72,696,630 | 5,150,238 | 72,109,933 | 5,322,448 |
| **Deferred inflows of resources** | | | | |
| Deferred inflows of resources arising from leases | | 14,458,109 | | 14,621,695 |
| **Net position** | | | | |
| Net investment in capital assets | 7,746,925 | (1,550,777) | 4,300,945 | (1,339,969) |
| Restricted | | | | |
| For debt service | 270,300 | 185,385 | 270,300 | 158,593 |
| Expendable for capital acquisitions | 1,691,472 | | 1,364,538 | |
| Expendable for specific operating activities | | 3,932,540 | | 5,481,237 |
| Unrestricted | 49,523,474 | 1,109,907 | 50,555,481 | 851,406 |
| **Total net position** | 59,232,171 | 3,677,055 | 56,491,264 | 5,151,267 |
| **Total liabilities, deferred inflows of resources, and net position** | $ 131,928,801 | $ 23,285,402 | $ 128,601,197 | $ 25,095,410 |

**Labette County Medical Center**
**d/b/a Labette Health**
**Statements of Revenues, Expenses, and Changes in Net Position**
**Years ended December 31, 2024 and 2023**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Labette Health | Component units | Labette Health | Component units |
| **Operating revenues** | | | | |
| Net patient service revenue | $ 88,636,047 | $ - | $ 84,814,641 | $ - |
| Other | 8,177,575 | 677,850 | 10,121,663 | 1,618,570 |
| **Total operating revenues** | 96,813,622 | 677,850 | 94,936,304 | 1,618,570 |
| **Operating expenses** | | | | |
| Salaries and wages | 45,782,197 | | 44,277,124 | |
| Employee benefits | 9,064,867 | | 8,130,797 | |
| Supplies and other | 40,626,597 | 2,240,126 | 40,267,829 | 404,364 |
| Depreciation and amortization | 4,842,485 | 382,943 | 4,898,828 | 383,369 |
| **Total operating expenses** | 100,316,146 | 2,623,069 | 97,574,578 | 787,733 |
| **Operating income (loss)** | (3,502,524) | (1,945,219) | (2,638,274) | 830,837 |
| **Nonoperating revenues (expenses)** | | | | |
| Ambulance subsidy | 650,519 | | 575,025 | |
| Investment income | 963,133 | 574,886 | 810,043 | 542,926 |
| Interest expense | (1,700,084) | (127,376) | (1,686,958) | (130,085) |
| Noncapital grant and contributions | 1,653,010 | | 561,632 | |
| Other | 1,226 | 23,497 | 4,072 | 20,122 |
| **Total nonoperating revenues (expenses)** | 1,567,804 | 471,007 | 263,814 | 432,963 |
| Excess of revenues over (under) expenses, before grants, contributions, and sales tax revenue restricted for capital purposes | (1,934,720) | (1,474,212) | (2,374,460) | 1,263,800 |
| Capital grants and contributions | 4,295,215 | | 93,833 | |
| Sales tax revenue restricted for capital purchases | 380,412 | | 316,648 | |
| **Change in net position** | 2,740,907 | (1,474,212) | (1,963,979) | 1,263,800 |
| **Net position at beginning of year** | | | | |
| As previously reported | 57,356,264 | 5,151,267 | 59,264,243 | 3,887,467 |
| Prior period adjustments | (865,000) | | (809,000) | |
| **As restated** | 56,491,264 | 5,151,267 | 58,455,243 | 3,887,467 |
| **Net position, end of year** | $ 59,232,171 | $ 3,677,055 | $ 56,491,264 | $ 5,151,267 |

The accompanying notes are an integral part of these statements.

# Labette County Medical Center
# d/b/a Labette Health
# Statements of Cash Flows
# Years ended December 31, 2024 and 2023

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Labette Health | Component units | Labette Health | Component units |
| **Cash flows from operating activities** | | | | |
| Receipts from and on behalf of patients | $ 86,472,865 | $ - | $ 86,056,740 | $ - |
| Payments to or on behalf of employees | (54,443,235) | | (52,106,648) | |
| Payments for supplies and services | (40,360,307) | (2,284,687) | (40,537,648) | (450,665) |
| Other receipts and payments | 8,200,087 | 1,025,642 | 10,329,178 | 1,671,880 |
| **Net cash provided (used) by operating activities** | (130,590) | (1,259,045) | 3,741,622 | 1,221,215 |
| **Cash flows from noncapital financing activities** | | | | |
| Ambulance subsidy | 623,126 | | 576,858 | |
| Proceeds from line of credit | 3,156,063 | | 1,131,214 | |
| Principal payments on line of credit | (3,156,876) | | (1,071,238) | |
| Interest paid | (42,308) | | (42,070) | |
| Noncapital grants and contributions | 1,684,617 | | 493,801 | |
| **Net cash provided by noncapital financing activities** | 2,264,622 | - | 1,088,565 | - |
| **Cash flows from capital and related financing activities** | | | | |
| Acquisition of capital assets | (5,554,685) | | (5,201,306) | |
| Proceeds from bond issuance | | | 2,875,144 | |
| Proceeds from notes payable | 397,264 | | | |
| Principal payments on long-term debt | (1,779,587) | (127,649) | (1,885,662) | (124,939) |
| Principal payments on lease liabilities | (688,068) | | (688,727) | |
| Principal payments on subscription IT liabilities | (108,027) | | (141,873) | |
| Interest paid | (1,620,291) | (127,376) | (1,614,070) | (130,085) |
| Capital grants and contributions | 3,401,583 | | 94,039 | |
| Proceeds from sale of capital assets | 7,136 | | 3,285 | |
| Sales tax revenue restricted for capital purchases | 380,412 | | 316,648 | |
| **Net cash used by capital and related financing activities** | (5,564,263) | (255,025) | (6,242,522) | (255,024) |
| **Cash flows from investing activities** | | | | |
| Changes in | | | | |
| Assets held by trustee | (7,702) | | (258,178) | |
| Investments | | (24,369) | | (16,665) |
| Investment income received | 1,007,209 | 562,009 | 732,208 | 512,988 |
| **Net cash provided by investing activities** | 999,507 | 537,640 | 474,030 | 496,323 |
| **Net change in cash and cash equivalents** | (2,430,724) | (976,430) | (938,305) | 1,462,514 |
| **Cash and cash equivalents at beginning of year** | 40,580,662 | 5,342,942 | 41,518,967 | 3,880,428 |
| **Cash and cash equivalents at end of year** | $ 38,149,938 | $ 4,366,512 | $ 40,580,662 | $ 5,342,942 |

## Labette County Medical Center
## d/b/a Labette Health
## Statements of Cash Flows - Continued
## Years ended December 31, 2024 and 2023

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Labette Health | Component units | Labette Health | Component units |
| **Reconciliation of cash and cash equivalents** | | | | |
| Cash and cash equivalents | $ 22,285,950 | $ 208,581 | $ 22,674,117 | $ 6,070 |
| Cash included in assets limited as to use | | | | |
| Internally designated for capital assets | 13,902,216 | 298,700 | 16,271,707 | 298,700 |
| By County for capital assets | 1,691,472 | | 1,364,538 | |
| Under indenture or loan agreement | 270,300 | 185,385 | 270,300 | 158,593 |
| For specific operating activities | | 3,673,846 | | 4,879,579 |
| **Total cash and cash equivalents** | $ 38,149,938 | $ 4,366,512 | $ 40,580,662 | $ 5,342,942 |
| **Reconciliation of operating income (loss) to net cash provided (used) by operating activities** | | | | |
| Operating income (loss) | $ (3,502,524) | $ (1,945,219) | $ (2,638,274) | $ 830,837 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | |
| Depreciation and amortization | 4,842,485 | 382,943 | 4,898,828 | 383,369 |
| Provision for bad debts | 14,171,584 | | 12,237,922 | |
| Changes in | | | | |
| Patient accounts receivable | (15,954,297) | | (11,069,979) | |
| Other receivables | (131,702) | | 228,692 | |
| Pledges receivable | | 347,792 | | 53,310 |
| Advances receivable | 167,044 | | 191,745 | |
| Estimated third-party payor settlements | (380,469) | | 74,156 | |
| Inventories | (61,052) | | 44,085 | |
| Prepaid expenses | (695,524) | | (40,255) | |
| Accounts payable and accrued expenses | 1,413,865 | (44,561) | (185,298) | (46,301) |
| **Net cash provided (used) by operating activities** | $ (130,590) | $ (1,259,045) | $ 3,741,622 | $ 1,221,215 |

The accompanying notes are an integral part of these statements.

# Labette County Medical Center
# d/b/a Labette Health
# Notes to Financial Statements
# December 31, 2024 and 2023

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

The financial statements of Labette County Medical Center d/b/a Labette Health, a component unit of Labette 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 Labette Health are described below.

1. Reporting entity

Labette Health is owned by Labette County, Kansas (the County), and governed by a nine-member Board of Trustees appointed by the Board of County Commissioners of the County. Labette Health is a not-for-profit general hospital located in Parsons, Kansas. Labette Health can sue and be sued and can buy, sell, or lease real property. Bond issuances must be approved by the County. Labette Health is a component unit of the County.

Labette Health Endowment Association (LHEA) is a 501(c)(3) nonprofit corporation. Labette Health's management performs the day-to-day management of LHEA's operations and the debt of LHEA is expected to be repaid entirely with the resources of Labette Health through lease payments made to LHEA for the use of certain hospital space. LHEA is a separate legal entity but is financially integrated with Labette Health and is reported as a blended component unit of Labette Health and does not issue separate financial statements. The sole corporate member of LHEA is Labette Health. All significant intercompany accounts have been eliminated in the accompanying financial statements.

Southeast Kansas Regional Health, Inc. (SEKRH), is a not-for-profit corporation formed to establish, maintain, operate, and support both within Montgomery County, Neosho County, and Labette County, Kansas, and in the surrounding region, facilities and services providing health care, or health and wellness support, for sick, injured, disabled, or aged persons. SEKRH is a separate legal entity. SEKRH is administered by a ten-member Board of Directors of which five members are appointed by Labette Health's Board of Trustees. SEKRH is reported as a blended component unit of Labette Health as SEKRH's debt is expected to be repaid entirely by Labette Health. SEKRH does not issue separate financial statements. All significant intercompany accounts have been eliminated in the accompanying financial statements.

For financial reporting purposes, Labette Health 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 Labette Health are such that the exclusion would cause Labette Health'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 Labette Health 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 Labette Health.

The component units discussed in Note A2 are included in Labette Health's reporting entity because of the nature and significance of their relationships with Labette Health.

2. Discretely presented component units

The financial statements include the financial data of the aggregate discretely presented component units described below. The component units are reported separately to emphasize that they are legally separate from Labette Health.

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

Labette Health Foundation, Inc. (the Foundation), is a not-for-profit corporation formed to receive, invest, and disburse funds received for the benefit, support, and maintenance of Labette Health. The Foundation is a legally separate component unit of Labette Health. The Foundation is administered by a Board of Directors, of which four members are appointed by Labette Health's Board of Trustees. Although Labette Health 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 Labette Health by the donors or are provided to Labette Health for its programs. Because the majority of resources held by the Foundation can only be used by, or for the benefit of, Labette Health and for the benefit of patients served by Labette Health, the Foundation is considered a component unit of Labette Health and is discretely presented in Labette Health's financial statements.

Labette Health Regional Partnerships, Inc. (LHRP), is a not-for-profit corporation formed to establish, maintain, operate, and support both within Labette County, Kansas, and in the surrounding region, facilities and services providing health care, or health and wellness support, for sick, injured, disabled, or aged persons. LHRP is administered by a five-member Board of Directors of which three members are appointed by Labette Health's Board of Trustees. Because of Labette Health's ability to appoint the majority of LHRP's Board of Directors, LHRP is considered a component unit of Labette Health and is discretely presented in Labette Health's financial statements.

The Foundation, LHRP, and SEKRH are not-for-profit organizations that report under the Financial Accounting Standards Board (FASB) standards, including Topic 958. As such, certain revenue recognition criteria and presentation are different from GASB revenue recognition criteria and presentation. Modifications have been made to the Foundation, LHRP, and SEKRH's financial information in the reporting entity for these differences.

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 accounting

Labette Health and its component units use enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

5. Cash and cash equivalents

Labette Health and its component units consider all cash and invested cash to be cash equivalents, excluding any assets limited as to use under bond indenture agreements held by a trustee and items classified as investments by the Foundation.

6. Allowance for uncollectible accounts

Labette Health 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. Labette Health estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each type of payor. Net patient accounts receivable at December 31, 2024 and 2023, include allowance for uncollectible accounts of $5,293,163 and $4,963,259, respectively.

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

7. Inventories

Inventories are stated at the lower of cost or market with cost determined on the average cost 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 revenues 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 bond indenture agreements; assets restricted by the County for capital asset acquisitions; assets restricted as to use by loan agreements; and assets restricted by contributors for capital acquisition or a particular purpose. Amounts that are required for obligations classified as current liabilities are reported in current assets.

10. Lease receivables

Lease receivables are measured at the present value of lease payments expected to be received during the lease term. The present value of future payments to be received are discounted based on the interest rate determined at the time of the lease. Renewal options are factored into the determination of lease payments when appropriate.

11. Capital assets

Capital assets excluding lease assets and subscription IT assets are stated at cost. Depreciation of capital assets excluding lease assets and subscription IT assets are provided on the straight-line method over the estimated useful lives of the assets. Estimated lives are based on a third-party guide prepared based on a review of Labette Health's capital assets.

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 used to amortize the lease liability.

Subscription IT assets are recognized at the subscription commencement date and represent Labette Health's right to use an underlying IT asset for the subscription term. Subscription IT assets are measured at the initial value of the subscription IT liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method or the same method amortizing the subscription liability.

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

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.

12. Lease liabilities

Lease liabilities represent obligations to make payments arising from lease agreements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on the rate implicit in the lease or Labette Health's incremental borrowing rate.

13. Subscription IT liabilities

Subscription IT liabilities represent obligations to make payments arising from SBITAs. Subscription IT liabilities are recognized at the SBITA commencement date based on the present value of future SBITA payments expected to be made during the SBITA term. The present value of SBITA payments are discounted based on the rate implicit in the SBITA or Labette Health's incremental borrowing rate.

14. Costs of borrowing

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. Other costs incurred to issue long-term debt are expensed in the period incurred.

15. Grants and contributions

From time to time, Labette Health and its component units receive grants and contributions from individuals and private organizations. Revenues from grants and contributions, including contributions of capital assets, are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either 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.

16. Restricted resources

When Labette Health and its component units have both restricted and unrestricted resources available to finance a particular program, their policy is to use restricted resources before unrestricted resources.

17. Accrued health insurance claims

Labette Health 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 accrued health insurance claims are reasonable. However, it is possible that actual incurred claims expense may vary significantly from the estimate included in the accompanying financial statements.

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

18. Compensated absences

Employees are entitled to paid time off (PTO) depending on length of service and whether they are full-time or part-time. PTO vests and may be carried forward by an employee in an amount not to exceed hourly limits based on length of employment. Upon retirement, resignation, or termination from service, employees who have been employed over two years are entitled to payment for all accrued unused PTO. PTO benefits are expensed and accrued as earned under Labette Health's PTO policy, with the vested amount recorded as a current accrued liability.

Employees are also entitled to extended illness benefits depending on whether they are full-time or part-time. Upon retirement, resignation, or termination from service, employees are not entitled to payment for accrued extended illness. Labette Health accrues a current and noncurrent estimate of vested extended illness benefits that are expected to be used based on historical usage.

19. Deferred outflows and 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. Deferred inflows of resources pertaining to leases are measured at the value of lease receivables plus any prepayments received at or before the commencement of the lease term that relate to future periods. Revenue is recognized from deferred inflows in a systematic and rational manner over the term of the lease.

20. Net position

Net position of Labette Health and its component units is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and amortization reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to Labette Health and its component units, including amounts deposited with trustees as required by indenture agreements. *Unrestricted net position* is remaining net position that does not meet the definitions of the other two components of net position.

21. Operating revenues and expenses

Labette Health's statement of revenues, expenses, and changes in net position and those of its component units, distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is Labette Health's principal activity. Nonexchange revenues, including noncapital grants and contributions and the noncapital ambulance subsidy, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

22. 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.

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

23. Charity care

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

24. Income taxes

Labette Health is exempt from federal income taxes pursuant to Sections 115 and 501(a) of the Internal Revenue Code.

LHEA is exempt from federal income taxes pursuant to 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. LHEA is considered a qualified active low-income community business.

The Foundation, LHRP, and SEKRH are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their 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 or before December 31, 2020, are not subject to examination by taxing authorities.

25. Adoption of accounting pronouncement

Effective January 1, 2023, Labette Health adopted the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services the employee already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, an entity should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

GASB 101 requires a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest period presented (i.e., January 1, 2023). The effect of implementing GASB 101 on beginning net position was a decrease of $809,000 applicable to 2023 and has been included in the 2023 restated beginning net position. See Note X for additional disclosure for amounts restated.

26. Reclassifications

The line of credit payable has been presented on a separate line on the statement of net position in 2023 versus combined with current maturities of long-term debt. This represents a reclassification to conform to the 2024 presentation.

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

27. Subsequent events

Labette Health and its component units have evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. See Note Y for subsequent events identified.

**Note B - Net Patient Service Revenue**

Labette Health has agreements with third-party payors that provide for payments to it 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 and rehabilitation care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are paid at prospectively determined rates per occasion of service. Physician services, other than rural health clinic (RHC) services, rendered to Medicare program beneficiaries are paid based on a prospectively determined fee schedule. The prospectively determined rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. RHC physician services are paid based on cost reimbursement methodologies. Labette Health is paid for cost reimbursable and other items at tentative rates with final settlement determined after submission of annual cost reports by Labette Health and audits or reviews thereof by the Medicare administrative contractor. Labette Health'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. Labette Health's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2022.

Labette Health is classified as a sole community hospital (SCH) under the Medicare program. As a result, its inpatient operating diagnosis related group (DRG) payments are based on the higher of its hospital-specific operating DRG rate or the federal operating DRG rate upon which those payments would be based if Labette Health did not have SCH status. Labette Health is also qualified under the Medicare program to receive low-volume add-on payments for inpatient services.

Medicaid - Inpatient acute and rehabilitation 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 a fee-for-service basis.

The Kansas Medicaid program provides additional payments to qualifying providers under a reimbursement formula that incorporates uncompensated care costs, Kansas Medicaid utilization, public support of the provider, and other factors. Labette Health qualified for these disproportionate share payments through September 30, 2024.

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.

**Note B - Net Patient Service Revenue - Continued**

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

A summary of gross and net patient service revenue follows:

| | 2024 | 2023 |
|---|---|---|
| Gross patient service revenue | $255,385,294 | $252,256,569 |
| Contractual adjustments | (151,234,044) | (153,992,207) |
| Provision for bad debts | (14,171,584) | (12,237,922) |
| Charity care | (1,343,619) | (1,211,799) |
| Net patient service revenue | $ 88,636,047 | $ 84,814,641 |

Revenue from the Medicare and Medicaid programs accounted for approximately 21 percent and 9 percent, respectively, of Labette Health's net patient service revenue during 2024, and 22 percent and 9 percent, respectively, of Labette Health's net patient service revenue during 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Note C - Deposits with Financial Institutions**

Custodial credit risk is the risk that in an event of a bank failure, a government's deposits may not be returned to it. Labette Health's deposit policy of custodial credit risk requires compliance with the provisions of State law. In addition, Labette Health, LHEA, SEKRH, LHRP, and the Foundation maintain their cash in banks which are insured by the Federal Deposit Insurance Corporation (FDIC).

Kansas statutes authorize Labette Health 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 value equal to 100 percent of the uninsured amounts and must be assigned for the benefit of Labette Health.

At December 31, 2024, the carrying amount of Labette Health's bank deposits, including certificates of deposit, was $37,866,390 and the bank balances were $38,087,450. Of the bank balances, $6,993,044 was covered by federal depository insurance and $31,094,406 was covered by collateral held by third-party banks, but not registered in Labette Health's name.

At December 31, 2024, the carrying amount and balances of LHEA's bank deposits were $270,509. Of the bank balances, $250,000 was covered by federal depository insurance and $20,509 was unsecured and uncollateralized.

At December 31, 2024, the carrying amount and balance of SEKRH's bank deposits were $12,637, which was covered by federal depositary insurance.

At December 31, 2024, the carrying amount and balance of LHRP's bank deposits were $2,671, which was covered by federal depository insurance.

**Note C - Deposits with Financial Institutions - Continued**

At December 31, 2024, the carrying amount and balances of the Foundation's bank deposits was $4,363,841. Of the bank balances, $1,250,000 was covered by federal depository insurance, $2,165,166 was covered by collateral held by third-party banks, and $948,675 was unsecured and uncollateralized.

**Note D - Assets Limited as to Use**

The composition of Labette Health's assets limited as to use is as follows:

| | 2024 | 2023 |
|---|---|---|
| Internally designated for capital assets | | |
| Cash | $ 3,442,136 | $ 3,315,575 |
| Certificates of deposit | 10,460,080 | 12,956,132 |
| Interest receivable | 54,748 | 70,850 |
| | $ 13,956,964 | $ 16,342,557 |
| Under indenture agreement - held by trustee | | |
| Money market funds | $ 748,008 | $ 740,306 |
| By County for capital assets | | |
| Cash | $ 1,691,472 | $ 1,364,538 |
| Under indenture or loan agreement | | |
| Cash | $ 270,300 | $ 270,300 |

The composition of the discretely presented component units' assets limited as to use is as follows:

| | 2024 | 2023 |
|---|---|---|
| Internally designated for capital assets | | |
| Cash | $ 298,700 | $ 298,700 |
| Under loan agreement | | |
| Cash | $ 185,385 | $ 158,593 |
| By contributors for specific operating activities | | |
| Cash | $ 1,232,432 | $ 2,535,704 |
| Certificates of deposit | 2,441,414 | 2,343,875 |
| Pledges receivable | 258,694 | 601,658 |
| | $ 3,932,540 | $ 5,481,237 |

**Note E - Investments**

The discretely presented component units' investments are stated at fair value. The composition of their investments is as follows:

| | 2024 | 2023 |
|---|---|---|
| Money market funds | $ 13,058 | $ 14,870 |
| Common stocks | 66,969 | 61,377 |
| Equity mutual and exchange traded funds | 195,652 | 182,164 |
| Fixed income mutual and exchange traded funds | 146,328 | 128,561 |
| Real estate exchange traded funds | 13,315 | 8,502 |
| | $ 435,322 | $ 395,474 |

**Note F - Fair Value of Financial Instruments**

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

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

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

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

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

Equity and fixed income mutual funds and exchange traded funds (EFTs) and common stocks are valued at unadjusted quoted prices for identical securities in active markets.

**Note F - Fair Value of Financial Instruments - Continued**

The following tables set forth, by level, the discretely presented component units' assets measured at fair value on a recurring basis:

| | December 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Common stock | $ 66,969 | $ - | $ - | $ 66,969 |
| Equity mutual funds and ETFs | 195,652 | | | 195,652 |
| Fixed income mutual funds and ETFs | 146,328 | | | 146,328 |
| Real estate ETFs | 13,315 | | | 13,315 |
| | $ 422,264 | $ - | $ - | $ 422,264 |

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Common stock | $ 61,377 | $ - | $ - | $ 61,377 |
| Equity mutual funds and ETFs | 182,164 | | | 182,164 |
| Fixed income mutual funds and ETFs | 128,561 | | | 128,561 |
| Real estate ETFs | 8,502 | | | 8,502 |
| | $ 380,604 | $ - | $ - | $ 380,604 |

**Note G - Capital Assets**

Capital asset additions, retirements, and balances for Labette Health are as follows:

| | 2024 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Transfers and retirements | Ending balance |
| Capital assets not being depreciated | | | | |
| Land | $ 949,808 | $ - | $ - | $ 949,808 |
| Construction in progress | 1,834,799 | 5,257,139 | (525,553) | 6,566,385 |
| Total capital assets not being depreciated | 2,784,607 | 5,257,139 | (525,553) | 7,516,193 |
| Capital assets being depreciated | | | | |
| Buildings | 74,716,242 | 45,560 | 52,031 | 74,813,833 |
| Fixed equipment | 18,169,119 | 7,932 | 11,000 | 18,188,051 |
| Major movable equipment | 24,053,954 | 600,414 | 319,468 | 24,973,836 |
| Total capital assets being depreciated | 116,939,315 | 653,906 | 382,499 | 117,975,720 |
| Less accumulated depreciation | | | | |
| Buildings | 46,846,107 | 1,821,934 | | 48,668,041 |
| Fixed equipment | 10,068,171 | 566,528 | | 10,634,699 |
| Major movable equipment | 17,083,840 | 1,456,390 | (80,990) | 18,459,240 |
| Total accumulated depreciation | 73,998,118 | 3,844,852 | (80,990) | 77,761,980 |
| Total capital assets being depreciated, net | 42,941,197 | (3,190,946) | 463,489 | 40,213,740 |
| Lease assets being amortized | | | | |
| Buildings | 15,477,939 | 922,348 | 56,250 | 16,456,537 |
| Major movable equipment | 2,282,810 | | | 2,282,810 |
| Total lease assets being amortized | 17,760,749 | 922,348 | 56,250 | 18,739,347 |
| Less accumulated amortization | | | | |
| Buildings | 1,076,007 | 381,531 | | 1,457,538 |
| Major movable equipment | 1,394,126 | 475,801 | | 1,869,927 |
| Total accumulated amortization | 2,470,133 | 857,332 | - | 3,327,465 |
| Total lease assets being amortized, net | 15,290,616 | 65,016 | 56,250 | 15,411,882 |
| Subscription IT assets being amortized | 420,903 | | | 420,903 |
| Less accumulated amortization | 92,860 | 140,301 | - | 233,161 |
| Total subscription IT assets being amortized, net | 328,043 | (140,301) | - | 187,742 |
| Capital assets, net | $ 61,344,463 | $ 1,990,908 | $ (5,814) | $ 63,329,557 |

**Note G - Capital Assets - Continued**

| | 2023 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Transfers and retirements | Ending balance |
| Capital assets not being depreciated | | | | |
| Land | $ 949,808 | $ - | $ - | $ 949,808 |
| Construction in progress | 4,262,345 | 1,865,765 | (4,293,311) | 1,834,799 |
| Total capital assets not being depreciated | 5,212,153 | 1,865,765 | (4,293,311) | 2,784,607 |
| Capital assets being depreciated | | | | |
| Buildings | 71,261,016 | 201,707 | 3,253,519 | 74,716,242 |
| Fixed equipment | 16,907,971 | 10,801 | 1,250,347 | 18,169,119 |
| Major movable equipment | 23,576,714 | 1,077,029 | (599,789) | 24,053,954 |
| Total capital assets being depreciated | 111,745,701 | 1,289,537 | 3,904,077 | 116,939,315 |
| Less accumulated depreciation | | | | |
| Buildings | 44,919,645 | 1,926,462 | | 46,846,107 |
| Fixed equipment | 9,528,259 | 539,912 | | 10,068,171 |
| Major movable equipment | 16,295,497 | 1,494,024 | (705,681) | 17,083,840 |
| Total accumulated depreciation | 70,743,401 | 3,960,398 | (705,681) | 73,998,118 |
| Total capital assets being depreciated, net | 41,002,300 | (2,670,861) | 4,609,758 | 42,941,197 |
| Lease assets being amortized | | | | |
| Buildings | 15,477,939 | | | 15,477,939 |
| Major movable equipment | 2,234,958 | 103,233 | (55,381) | 2,282,810 |
| Total lease assets being amortized | 17,712,897 | 103,233 | (55,381) | 17,760,749 |
| Less accumulated amortization | | | | |
| Buildings | 716,499 | 359,508 | | 1,076,007 |
| Major movable equipment | 957,108 | 492,399 | (55,381) | 1,394,126 |
| Total accumulated amortization | 1,673,607 | 851,907 | (55,381) | 2,470,133 |
| Total lease assets being amortized, net | 16,039,290 | (748,674) | - | 15,290,616 |
| Subscription IT assets being amortized | 202,739 | 347,855 | (129,691) | 420,903 |
| Less accumulated amortization | 67,580 | 86,523 | (61,243) | 92,860 |
| Total subscription IT assets being amortized, net | 135,159 | 261,332 | (68,448) | 328,043 |
| Capital assets, net | $ 62,388,902 | $ (1,292,438) | $ 247,999 | $ 61,344,463 |

**Note G - Capital Assets - Continued**

Construction in progress for Labette Health at December 31, 2024, consists primarily of costs incurred for an addition and various renovations to Labette Health's facilities, computer system conversion project, and equipment purchased but not yet placed in service. At December 31, 2024, Labette Health's outstanding commitments for these projects were approximately $7,940,000.

Capital asset additions, retirements, and balances for the discretely presented component units are as follows:

| | 2024 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Transfers and retirements | Ending balance |
| Capital assets not being depreciated | | | | |
| Land | $ 352,831 | $ - | $ - | $ 352,831 |
| Total capital assets not being depreciated | 352,831 | - | - | 352,831 |
| Capital assets being depreciated | | | | |
| Land improvements | 985,822 | | | 985,822 |
| Buildings | 4,329,411 | | | 4,329,411 |
| Fixed equipment | 1,045,260 | | | 1,045,260 |
| Total capital assets being depreciated | 6,360,493 | - | - | 6,360,493 |
| Less accumulated depreciation | | | | |
| Land improvements | 399,356 | 53,590 | | 452,946 |
| Buildings | 1,870,111 | 258,776 | | 2,128,887 |
| Fixed equipment | 461,453 | 70,577 | | 532,030 |
| Total accumulated depreciation | 2,730,920 | 382,943 | - | 3,113,863 |
| Total capital assets being depreciated, net | 3,629,573 | (382,943) | | 3,246,630 |
| Capital assets, net | $ 3,982,404 | $ (382,943) | $ - | $ 3,599,461 |

**Note G - Capital Assets - Continued**

| | 2023 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Transfers and retirements | Ending balance |
| Capital assets not being depreciated | | | | |
| Land | $ 673,384 | $ - | $ (320,553) | $ 352,831 |
| Total capital assets not being depreciated | 673,384 | - | (320,553) | 352,831 |
| Capital assets being depreciated | | | | |
| Land improvements | 985,822 | | | 985,822 |
| Buildings | 4,329,411 | | | 4,329,411 |
| Fixed equipment | 1,045,260 | | | 1,045,260 |
| Total capital assets being depreciated | 6,360,493 | - | - | 6,360,493 |
| Less accumulated depreciation | | | | |
| Land improvements | 345,767 | 53,589 | | 399,356 |
| Buildings | 1,610,908 | 259,203 | | 1,870,111 |
| Fixed equipment | 390,876 | 70,577 | | 461,453 |
| Total accumulated depreciation | 2,347,551 | 383,369 | - | 2,730,920 |
| Total capital assets being depreciated, net | 4,012,942 | (383,369) | - | 3,629,573 |
| Capital assets, net | $ 4,686,326 | $ (383,369) | $ (320,553) | $ 3,982,404 |

**Note H - Leverage Loan Receivable**

Labette Health entered into an agreement on November 13, 2020, to lend $9,959,600 to Labette Health Investment Fund, LLC. Interest of 1 percent accrues on the loan receivable balance from the date of the issuance through maturity, with interest only payments beginning March 1, 2021, and paid quarterly through December 31, 2027. Beginning on March 1, 2028, and continuing until the maturity date of March 31, 2045, the Labette Investment Fund will make quarterly payments of principal and interest sufficient to amortize the note by the maturity date. The note is secured by equity interests of 99.99 percent of CHHS Subsidiary CDE 47, LLC.

**Note I - Advances Receivable**

Labette Health has determined that recruitment of physicians to serve the residents of Labette County and the retention of key employees is in the best interest of Labette Health, its patients, and the community, and will enable Labette Health to enhance its ability to meet the health care needs of the community's residents. To accomplish this, Labette Health has entered into agreements with certain physicians to provide them with financial assistance as an inducement for them to establish medical practices in Labette Health's service area. In return, the physicians agree to provide professional services for the residents of Parsons and Labette County over periods varying from three to six years. Labette Health has also entered into agreements to retain the services of a key employee and other employees. The financial assistance is

**Note I - Advances Receivable - Continued**

rendered in the form of contractual liquidated damages clauses which require liquidated damages to be paid to Labette Health if the service obligation is not met. Upon establishment of their practices, or retention period, principal or liquidated damages and the accumulated interest on loans are forgiven ratably over the required service periods. If the physicians do not establish a medical practice, or if they leave the community prior to completion of the service obligation or the key employee does not complete the service obligation, they will be required to repay any unpaid or unforgiven principal and accumulated interest on the loans, or liquidated damages, as applicable.

Labette Health's future exposure to credit loss on these agreements is dependent upon the performance of the physicians and the key employee under these agreements. Outstanding commitments for future advances were approximately $709,000 at December 31, 2024.

**Note J - Health Insurance Claims**

Labette Health sponsors a self-insured employee health insurance plan. Labette Health has reinsured a portion of its risk for health insurance claims of its employees. Effective January 1, 2024, the reinsurance arrangement generally covers claims totaling over $200,000 for each covered individual on an annual basis. Prior to January 1, 2024, the reinsurance arrangement generally covered claims totaling $150,000 for each covered individual on an annual basis. The reinsurance arrangement also covers aggregate annual claims of the plan in excess of an amount determined in relation to the number of individuals participating in the plan during the year. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. Labette Health has retained an agent to process and settle claims.

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

| | 2024 | 2023 |
|---|---|---|
| Estimated net health insurance claims payable at beginning of year | $ 429,623 | $ 383,886 |
| Provision for employer's share of incurred claims and related expenses for the year, net of any reinsurance proceeds | 4,445,859 | 3,825,033 |
| Participant contributions | 1,271,447 | 1,248,882 |
| Payments made for claims and related expenses | (5,856,929) | (5,028,178) |
| Estimated net health insurance claims payable at end of year | $ 290,000 | $ 429,623 |

**Note K - Line of Credit Payable**

Labette Health has a $2,800,000 line of credit with a bank, secured by a certificate of deposit. The line of credit is used to support operations. The unused balance on the line of credit was $1,416,250 at December 31, 2024. Borrowings on the line of credit bear interest at 2.20 percent annually with interest due monthly. Principal is due on demand or at maturity (March 24, 2027). See Note Y for renewal.

The summary of activity for the line of credit is as follows:

| | 2024 | 2023 |
|---|---|---|
| Beginning balance at January 1, | $ 1,384,563 | $ 1,324,587 |
| Line of credit advances | 3,156,063 | 1,131,214 |
| Principal payments | (3,156,876) | (1,071,238) |
| Ending balance at December 31, | $ 1,383,750 | $ 1,384,563 |

**Note L - Long-Term Debt**

Long-term debt obligations of Labette Health are summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| 3.80% Labette County, Kansas Hospital Refunding Revenue Bonds, Series 2017; issued on January 26, 2017, in the original amount of $15,000,000; due serially through September 1, 2036, with principal payments beginning on March 1, 2017 | $ 10,746,000 | $ 11,457,000 |
| 3.80% Labette County, Kansas Hospital Revenue Bonds, Series 2020; issued on June 2, 2020, in the original amount of $10,000,000; due serially through September 1, 2036, with principal payments beginning on September 1, 2020 | 8,514,000 | 8,921,000 |
| 2.65% Labette County, Kansas Hospital Refunding and Improvement Revenue Bonds, Series 2021; issued on November 9, 2021, in the original amount of $9,918,000; due serially through September 1, 2041, with principal payments beginning on September 1, 2022 | 8,698,000 | 9,099,000 |
| Note payable bank obligations; interest rates from 2.25% to 5.00%; in the original loan amounts of $1,499,821 collateralized by equipment and building improvements | | 210,587 |
| $2,056,548 Construction note payable bank obligation, 5.67% interest rate, monthly interest payments through maturity, principal due on May 26, 2026, collateralized by Independence leasehold improvements | 397,264 | |
| 1.41% Promissory note in the original amount of $9,959,600; due through December 31, 2051; quarterly interest payments beginning March 1, 2021; quarterly principal and interest payments beginning March 1, 2028 | 9,959,600 | 9,959,600 |
| 1.41% Promissory note in the original amount of $3,620,400; due through December 31, 2051; quarterly interest payments beginning March 1, 2021; quarterly principal and interest payments beginning March 1, 2028 | 3,620,400 | 3,620,400 |
| 4.00% Mortgage note payable to individual, in the original amount of $200,000; payable in annual installments of $50,000, including interest through February 1, 2026 | 100,000 | 150,000 |
| | 42,035,264 | 43,417,587 |
| Less current maturities | 1,621,000 | 1,779,587 |
| Long-term obligations, less current maturities | $ 40,414,264 | $ 41,638,000 |

**Note L - Long-Term Debt - Continued**

The following is a summary of changes in long-term obligations for Labette Health:

| | Notes payable | Hospital revenue bonds | Total long-term obligations |
|---|---|---|---|
| Outstanding at January 1, 2023 | $ 14,157,249 | $ 28,070,856 | $ 42,228,105 |
| Obligations incurred | | 2,875,144 | 2,875,144 |
| Change in reporting entity | 200,000 | | 200,000 |
| Principal payments | (416,662) | (1,469,000) | (1,885,662) |
| Outstanding at December 31, 2023 | 13,940,587 | 29,477,000 | 43,417,587 |
| Obligations incurred | 397,264 | | 397,264 |
| Principal payments | (260,587) | (1,519,000) | (1,779,587) |
| Outstanding at December 31, 2024 | $ 14,077,264 | $ 27,958,000 | $ 42,035,264 |

On January 26, 2017, the County issued $15,000,000 in Hospital Refunding Revenue Bonds, Series 2017 (the 2017 bonds), for the benefit of Labette Health pursuant to a Second Supplemental Bond Trust Indenture dated January 1, 2017. The proceeds of the 2017 bonds were used, together with other available funds of Labette Health, for the purpose of providing funds to (1) advance refund $16,360,000 of the Series A, 2007 bonds, and $2,200,000 of the Series B, 2007 bonds, and (2) pay certain costs related to the issuance of the 2017 bonds.

On June 2, 2020, the County issued Hospital Revenue Bonds, Series 2020, (the Series 2020 bonds) in the principal amount not to exceed $10,000,000 for the benefit of Labette Health pursuant to a Third Supplemental Bond Trust Indenture dated June 1, 2020. The proceeds of the 2020 bonds are to be drawn on as needed after Labette Health expends $6,500,000 of their own funds on renovation and expansion of the current facility and drawn to pay certain costs related to the issuance of the 2020 bonds.

On November 9, 2021, the County issued $9,918,000 in Hospital Refunding and Improvement Revenue Bonds, Series 2021 (the 2021 bonds), for the benefit of Labette Health pursuant to a Fourth Supplemental Bond Trust Indenture dated November 1, 2021. The proceeds of the 2021 bonds were used, together with other available funds to (1) refund $7,730,000 of the Series 2016 bonds, (2) pay certain costs related to the issuance of the 2021 bonds, and (3) pay for renovations and expansion of Labette Health's facilities. The refunding transaction decreased the total amount of future debt service requirements by $2,897,949. This resulted in an economic gain of $1,615,562.

The indenture agreements for the 2017, 2020, and 2021 bonds require Labette Health 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 principal and interest for the bonds on the appropriate due dates. Such amounts were maintained and are included with assets limited as to use in the financial statements. The obligations of Labette Health under the indenture agreement are secured by a pledge of its unrestricted revenues, subject to the right of Labette Health to dispose of or encumber property as defined and permitted in the indenture agreement. The indenture agreement also includes certain restrictive covenants relating to the disposition of property, incurrence of additional indebtedness, the level of days cash on hand, and the level of fees and rates charged. The covenant in the indenture

**Note L - Long-Term Debt - Continued**

agreement regarding the level of day's cash on hand requires that those levels equal or exceed 75 days. The covenant in the indenture agreement regarding the level of fees and rates charged requires that fees and rates for services be set at levels sufficient for Labette Health to produce income available for debt service in each fiscal year equal to 125 percent of the debt service requirements during that fiscal year for outstanding debt. That ratio value was 108 percent and 101 percent for the years ended December 31, 2024 and 2023, respectively.

On November 13, 2020, LHEA, executed loan agreements, Note A in the principal amount of $9,959,600 and Note B in the principal amount of $3,620,400 with CHHS Subsidiary CDE 47, LLC. The notes are secured by a leasehold mortgage on certain areas of Labette Health's facilities. LHEA is not permitted to prepay any portion of the principal of the loans until November 13, 2027 (seven-year term). At the end of the seven-year term, a put/call agreement may be exercised, whereby Wells Fargo Community Investment Holdings, LLC, sole-member of Labette Health Investment Fund, LLC a 99.99 percent owner in CCHS Subsidiary CDE 47, LLC, is sold to LHEA. Under the terms of the loan agreements, LHEA has certain compliance requirements, including compliance reporting and maintaining its status as a qualified active low-income community business as defined by the Internal Revenue Code.

Scheduled annual debt service requirements for Labette Health's hospital revenue bonds are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 1,571,000 | $ 892,159 | $ 2,463,159 |
| 2026 | 1,623,000 | 839,531 | 2,462,531 |
| 2027 | 1,676,000 | 785,117 | 2,461,117 |
| 2028 | 1,733,000 | 729,491 | 2,462,491 |
| 2029 | 1,792,000 | 670,693 | 2,462,693 |
| 2030 - 2034 | 9,898,000 | 2,408,536 | 12,306,536 |
| 2035 - 2039 | 7,768,000 | 852,933 | 8,620,933 |
| 2040 | 1,897,000 | 70,040 | 1,967,040 |
| | $ 27,958,000 | $ 7,248,500 | $ 35,206,500 |

Scheduled payments on Labette Health's notes payable are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 50,000 | $ 219,258 | $ 269,258 |
| 2026 | 447,264 | 203,055 | 650,319 |
| 2027 | | 199,058 | 199,058 |
| 2028 | 478,941 | 189,080 | 668,021 |
| 2029 | 485,735 | 182,287 | 668,022 |
| 2030 - 2034 | 2,533,995 | 806,112 | 3,340,107 |
| 2035 - 2039 | 2,718,882 | 621,225 | 3,340,107 |
| 2040 - 2044 | 2,917,258 | 422,850 | 3,340,108 |
| 2045 - 2049 | 3,130,108 | 210,000 | 3,340,108 |
| 2050 - 2051 | 1,315,081 | 20,960 | 1,336,041 |
| Total minimum lease payments | $ 14,077,264 | $ 3,073,885 | $ 17,151,149 |

**Note L - Long-Term Debt - Continued**

Long-term obligations of the discretely presented component units are summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| 2.38% USDA Community Facilities loan, in the original amount of $5,600,000; payable in monthly installments of $19,656, including interest through October 25, 2052 | $ 4,797,917 | $ 4,917,970 |
| 3.25% USDA Community Facilities loan, in the original amount of $400,000; payable in monthly installments of $1,596, including interest through October 25, 2052 | 350,505 | 358,100 |
| | 5,148,422 | 5,276,070 |
| Less current maturities | 131,138 | 127,648 |
| | $ 5,017,284 | $ 5,148,422 |

The following is a summary of changes in long-term debt for the discretely presented component units:

| | |
|---|---|
| Outstanding at January 1, 2023 | $ 5,601,010 |
| Change in reporting entity | (200,000) |
| Principal payments | (124,940) |
| Outstanding at December 31, 2023 | 5,276,070 |
| Principal payments | (127,648) |
| Outstanding at December 31, 2024 | $ 5,148,422 |

Scheduled annual debt service requirements on long-term debt for the discretely presented component units, are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 131,138 | $ 123,886 | $ 255,024 |
| 2026 | 134,358 | 120,667 | 255,025 |
| 2027 | 137,657 | 117,367 | 255,024 |
| 2028 | 140,717 | 114,307 | 255,024 |
| 2029 | 144,494 | 110,530 | 255,024 |
| 2030 - 2034 | 777,212 | 497,908 | 1,275,120 |
| 2035 - 2039 | 877,631 | 397,489 | 1,275,120 |
| 2040 - 2044 | 991,008 | 284,112 | 1,275,120 |
| 2045 - 2049 | 1,119,533 | 155,587 | 1,275,120 |
| 2050 - 2052 | 694,674 | 24,907 | 719,581 |
| | $ 5,148,422 | $ 1,946,760 | $ 7,095,182 |

**Note M - Leases**

Labette Health leases certain equipment and buildings, the terms of which expire in various years through 2067. Payments are based on each specific agreement and the periodic base rents range from $1,495 to $50,000 per month, with certain agreements containing variable lease payments. Variable lease payments pertain to rental escalation clauses based on an index adjustment multiplier equal to the percentage increase in the Gross Domestic Product Implicit Price Deflator published by the U.S. Bureau of Economic Analysis. No variable lease payments were recognized as outflows of resources for the years ended December 31, 2024 and 2023.

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

| | 2024 | 2023 |
|---|---|---|
| Current portion of lease liabilities | $ 467,414 | $ 682,432 |
| Noncurrent portion of lease liabilities | 15,105,852 | 15,156,554 |
| Total lease liabilities | $ 15,573,266 | $ 15,838,986 |

The following is a summary of changes in lease liabilities of Labette Health:

| | 2024 | 2023 |
|---|---|---|
| Beginning balance at January 1, | $ 15,838,986 | $ 16,424,480 |
| Lease obligations incurred | 422,348 | 103,233 |
| Principal payments | (688,068) | (688,727) |
| Ending balance at December 31, | $ 15,573,266 | $ 15,838,986 |

Scheduled lease payments for Labette Health's lease liabilities are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 467,414 | $ 459,913 | $ 927,327 |
| 2026 | 276,984 | 449,774 | 726,758 |
| 2027 | 285,693 | 441,065 | 726,758 |
| 2028 | 227,628 | 432,923 | 660,551 |
| 2029 | 222,110 | 426,303 | 648,413 |
| 2030 - 2034 | 1,223,801 | 2,025,914 | 3,249,715 |
| 2035 - 2039 | 1,389,456 | 1,828,469 | 3,217,925 |
| 2040 - 2044 | 1,489,135 | 1,614,990 | 3,104,125 |
| 2045 - 2049 | 1,712,254 | 1,374,517 | 3,086,771 |
| 2050 - 2054 | 1,894,344 | 1,105,656 | 3,000,000 |
| 2055 - 2059 | 2,200,502 | 799,498 | 3,000,000 |
| 2060 - 2064 | 2,556,140 | 443,860 | 3,000,000 |
| 2065 - 2067 | 1,627,805 | 72,194 | 1,699,999 |
| Total minimum lease payments | $ 15,573,266 | $ 11,475,076 | $ 27,048,342 |

**Note M - Leases - Continued**

The discretely presented component units include lease receivables and deferred inflows of resources for the lease of the Foundation's Independence Facility to Labette Health of $14,458,109 and $14,621,695 at December 31, 2024 and 2023, respectively. Income from the lease consisted of the following:

| | 2024 | 2023 |
|---|---|---|
| Rental income | $ 163,586 | $ 158,758 |
| Investment income | 436,414 | 441,242 |
| | $ 600,000 | $ 600,000 |

**Note N - Subscription IT Liabilities**

Labette Health's subscription IT liabilities primarily related to software subscriptions for its patient accounting and electronic medical records system and supporting modules. Payments are based on each underlying contract and vary between monthly, quarterly, semi-annual, and annual payments. In certain conditions, the vendor is allowed to increase the subscription payment annually. The differences between the original payment schedules and the current payment schedules are considered variable consideration. The variable consideration was not significant for the years ended December 31, 2024 and 2023.

The following is a summary of subscription IT liabilities as of December 31:

| | 2024 | 2023 |
|---|---|---|
| Current portion of subscription IT liabilities | $ 146,714 | $ 138,195 |
| Noncurrent portion of subscription IT liabilities | 17,750 | 134,296 |
| Total subscription IT liabilities | $ 164,464 | $ 272,491 |

The following is a summary of changes in subscription IT liabilities of Labette Health:

| | 2024 | 2023 |
|---|---|---|
| Beginning balance at January 1, | $ 272,491 | $ 136,224 |
| Subscription IT obligations incurred | | 347,855 |
| Principal payments | (108,027) | (141,873) |
| Subscription termination | | (69,715) |
| Ending balance at December 31, | $ 164,464 | $ 272,491 |

Scheduled subscription IT liability payments are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 146,714 | $ 3,613 | $ 150,327 |
| 2026 | 17,750 | 133 | 17,883 |
| Total minimum subscription IT liability payments | $ 164,464 | $ 3,746 | $ 168,210 |

**Note O - Interest Expense**

Total interest costs of Labette Health are summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| Total interest incurred | $ 1,669,690 | $ 1,656,563 |
| Amortization of deferred outflows on advance refunding | 30,394 | 30,395 |
| Interest expense | $ 1,700,084 | $ 1,686,958 |

Total interest expense for the discretely presented component units for December 31, 2024 and 2023, was $127,376 and $130,085, respectively.

**Note P - Compensated Absences**

The following is a summary of compensated absences:

| | 2024 | 2023 |
|---|---|---|
| Current portion of compensated absences | $ 1,988,926 | $ 1,878,587 |
| Noncurrent portion of compensated absences | 611,000 | 552,000 |
| | $ 2,599,926 | $ 2,430,587 |

The following is a summary of changes in compensated absences:

| | 2024 | 2023 |
|---|---|---|
| Beginning balance at January 1, | $ 2,430,587 | $ 2,353,444 |
| Net change | 169,339 | 77,143 |
| Ending balance at December 31, | $ 2,599,926 | $ 2,430,587 |

**Note Q - Defined Contribution Pension Plans**

Labette Health sponsors a defined contribution pension plan that provides pension benefits for substantially all of its full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by a third-party insurance company and can be amended by the Board of Trustees. The provisions of the plan are as follows.

Employees become eligible for employer contributions after completing one year of service. Labette Health contributes a percentage of gross compensation based on the eligible employee's years of service as follows: 2 percent if more than one year but less than five years of service; 4 percent if five or more years of service but less than fifteen; and 6 percent if fifteen or more years of service. Labette Health may also make

**Note Q - Defined Contribution Pension Plans - Continued**

a discretionary matching contribution of participant contributions to the plan. The contribution cannot exceed a percentage of gross compensation based on the eligible employee's years of service as follows: 1 percent if more than five years of service but less than ten years of service, and 2 percent if more than ten years of service. The employees are not required to make contributions to the plan but may elect to contribute from 1 percent to 20 percent of the participant's compensation subject to maximum limits as defined by the Internal Revenue Service. Labette Health's contributions for each employee are fully vested after ten years of continuous service.

Labette Health and covered employees made contributions to the plan as follows for the years ended December 31:

| | 2024 | 2023 |
|---|---|---|
| Employer contributions | $ 539,179 | $ 525,000 |
| Employee contributions | 539,276 | 581,388 |
| | $ 1,078,455 | $ 1,106,388 |

Labette Health has entered into deferred compensation agreements with certain employees. These agreements are eligible deferred compensation plans under Section 401(a) or 457(b) of the Internal Revenue Code. The plans can be amended by mutual consent of Labette Health and the plans' participants. All assets of the plans are held by a third-party investment company for the sole benefit of the employee and the employee's designated beneficiary. The plans generally provide for employer contributions based on the employees' years of service. The employees are not required to make contributions to the plans but may elect to contribute a percentage of compensation subject to maximum limits as defined by the Internal Revenue Service. Labette Health's contributions become fully vested after periods defined in each plan. Labette Health and covered employees made contributions to these plans as follows for the years ended December 31:

| | 2024 | 2023 |
|---|---|---|
| Employer contributions | $ 624,686 | $ 676,176 |
| Employee contributions | 330,177 | 339,915 |
| | $ 954,863 | $ 1,016,091 |

**Note R - Concentration of Credit Risk**

Labette Health grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors at December 31 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Medicare | 19.5 % | 20.3 % |
| Medicaid | 12.7 | 9.7 |
| Blue Cross | 9.7 | 11.4 |
| Other insurers | 33.9 | 30.7 |
| Patients | 24.2 | 27.9 |
| | 100.0 % | 100.0 % |

**Note S - Condensed Financial Information**

The following is condensed combined financial data for Labette Health and its blended component units LHEA and SEKRH as of December 31, 2024 and 2023, and for the years then ended:

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Labette Health | LHEA | SEKRH | Eliminations | Total |
| Current assets | $ 42,038,810 | $ 210 | $ 12,637 | $ (533,087) | $ 41,518,570 |
| Noncurrent cash and investments | 15,879,267 | 270,300 | | | 16,149,567 |
| Capital assets, net | 55,379,567 | 19,471,316 | 569,334 | (12,090,660) | 63,329,557 |
| Leverage loan receivable | 9,959,600 | | | | 9,959,600 |
| Noncurrent portion of lease receivables | | 13,584,238 | | (13,584,238) | |
| Other assets | 799,936 | | | | 799,936 |
| Total assets | 124,057,180 | 33,326,064 | 581,971 | (26,207,985) | 131,757,230 |
| Deferred outflows of resources | 171,571 | | | | 171,571 |
| Total assets and deferred outflows of resources | $ 124,228,751 | $ 33,326,064 | $ 581,971 | $ (26,207,985) | $ 131,928,801 |
| Current liabilities | $ 16,497,764 | $ - | $ 583,087 | $ (533,087) | $ 16,547,764 |
| Long-term debt | 26,784,264 | 13,580,000 | 50,000 | | 40,414,264 |
| Lease liabilities, noncurrent portion | 28,690,090 | | | (13,584,238) | 15,105,852 |
| Subscription IT liabilities, noncurrent portion | 17,750 | | | | 17,750 |
| Accrued compensated absences, noncurrent portion | 611,000 | | | | 611,000 |
| Total liabilities | 72,600,868 | 13,580,000 | 633,087 | (14,117,325) | 72,696,630 |
| Deferred inflows of resources | | 13,582,429 | | (13,582,429) | |
| Total net position | 51,627,883 | 6,163,635 | (51,116) | 1,491,769 | 59,232,171 |
| Total liabilities, deferred inflows of resources and net position | $ 124,228,751 | $ 33,326,064 | $ 581,971 | $ (26,207,985) | $ 131,928,801 |

## Note S - Condensed Financial Information - Continued

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Labette Health | LHEA | SEKRH | Eliminations | Total |
| Current assets | $ 38,416,989 | $ 204 | $ 4,660 | $ (459,110) | $ 37,962,743 |
| Noncurrent cash and investments | 17,925,146 | 270,300 | | | 18,195,446 |
| Capital assets, net | 52,818,293 | 20,495,298 | 569,334 | (12,538,462) | 61,344,463 |
| Leverage loan receivable | 9,959,600 | | | | 9,959,600 |
| Noncurrent portion of lease receivables | | 13,583,956 | | (13,583,956) | |
| Other assets | 936,980 | | | | 936,980 |
| Total assets | 120,057,008 | 34,349,758 | 573,994 | (26,581,528) | 128,399,232 |
| Deferred outflows of resources | 201,965 | | | | 201,965 |
| Total assets and deferred outflows of resources | $ 120,258,973 | $ 34,349,758 | $ 573,994 | $ (26,581,528) | $ 128,601,197 |
| Current liabilities | $ 14,579,083 | $ - | $ 509,110 | $ (459,110) | $ 14,629,083 |
| Long-term debt | 27,958,000 | 13,580,000 | 100,000 | | 41,638,000 |
| Lease liabilities, noncurrent portion | 28,740,510 | | | (13,583,956) | 15,156,554 |
| Subscription IT liabilities, noncurrent portion | 134,296 | | | | 134,296 |
| Accrued compensated absences, noncurrent portion | 552,000 | | | | 552,000 |
| Total liabilities | 71,963,889 | 13,580,000 | 609,110 | (14,043,066) | 72,109,933 |
| Deferred inflows of resources | | 13,582,712 | | (13,582,712) | |
| Total net position | 48,295,084 | 7,187,046 | (35,116) | 1,044,250 | 56,491,264 |
| Total liabilities, deferred inflows of resources, and net position | $ 120,258,973 | $ 34,349,758 | $ 573,994 | $ (26,581,528) | $ 128,601,197 |

## Note S - Condensed Financial Information - Continued

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Labette Health | LHEA | SEKRH | Eliminations | Total |
| Net patient service revenue | $ 88,636,047 | $ - | $ - | $ - | $ 88,636,047 |
| Other operating revenues | 8,177,575 | 246,731 | | (246,731) | 8,177,575 |
| Total operating revenues | 96,813,622 | 246,731 | - | (246,731) | 96,813,622 |
| Salaries and wages | 45,782,197 | | | | 45,782,197 |
| Employee benefits | 9,064,867 | | | | 9,064,867 |
| Supplies and other expenses | 40,819,628 | 43,700 | 10,000 | (246,731) | 40,626,597 |
| Depreciation and amortization | 5,290,287 | | | (447,802) | 4,842,485 |
| Total operating expenses | 100,956,979 | 43,700 | 10,000 | (694,533) | 100,316,146 |
| Operating income (loss) | (4,143,357) | 203,031 | (10,000) | 447,802 | (3,502,524) |
| Nonoperating revenues (expenses) | 1,573,516 | 571 | (6,000) | (283) | 1,567,804 |
| Transfers between Hospital and component unit | 1,227,013 | (1,227,013) | | | |
| Capital grant, contributions, and sales tax revenue for capital purchases | 4,675,627 | | | | 4,675,627 |
| Change in net position | 3,332,799 | (1,023,411) | (16,000) | 447,519 | 2,740,907 |
| Net position beginning of year, as restated | 48,295,084 | 7,187,046 | (35,116) | 1,044,250 | 56,491,264 |
| Net position end of year | $ 51,627,883 | $ 6,163,635 | $ (51,116) | $ 1,491,769 | $ 59,232,171 |

## Note S - Condensed Financial Information - Continued

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Labette Health | LHEA | SEKRH | Eliminations | Total |
| Net patient service revenue | $ 84,814,641 | $ - | $ - | $ - | $ 84,814,641 |
| Other operating revenues | 10,121,663 | | | | 10,121,663 |
| Total operating revenues | 94,936,304 | - | - | - | 94,936,304 |
| Salaries and wages | 44,277,124 | | | | 44,277,124 |
| Employee benefits | 8,130,797 | | | | 8,130,797 |
| Supplies and other expenses | 40,220,563 | 43,679 | 3,587 | | 40,267,829 |
| Depreciation and amortization | 5,346,630 | | | (447,802) | 4,898,828 |
| Total operating expenses | 97,975,114 | 43,679 | 3,587 | (447,802) | 97,574,578 |
| Operating loss | (3,038,810) | (43,679) | (3,587) | 447,802 | (2,638,274) |
| Nonoperating revenues (expenses) | 265,526 | 562 | (1,995) | (279) | 263,814 |
| Transfers between Hospital and component unit | 64,488 | (64,488) | | | |
| Capital grant, contributions, and sales tax revenue for capital purchases | 410,481 | | | | 410,481 |
| Change in net position | (2,298,315) | (107,605) | (5,582) | 447,523 | (1,963,979) |
| Net position beginning of year, as restated | 50,593,399 | 7,294,651 | (29,534) | 596,727 | 58,455,243 |
| Net position end of year, as restated | $ 48,295,084 | $ 7,187,046 | $ (35,116) | $ 1,044,250 | $ 56,491,264 |

## Note S - Condensed Financial Information - Continued

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Labette Health | LHEA | SEKRH | Eliminations | Total |
| Cash flows from operating activities | | | | | |
| Receipts from and on behalf of patients | $ 86,472,865 | $ - | $ - | $ - | $ 86,472,865 |
| Payments to or on behalf of employees | (54,443,235) | | | | (54,443,235) |
| Payments for supplies and services | (40,370,584) | (43,700) | 13,977 | 40,000 | (40,360,307) |
| Other receipts and payments | 7,953,356 | 246,731 | | | 8,200,087 |
| Net cash provided (used) by operating activities | (387,598) | 203,031 | 13,977 | 40,000 | (130,590) |
| Cash flows from noncapital and related financing activities | | | | | |
| Transfer | 203,031 | (203,031) | | | |
| Proceeds from line of credit | 3,156,063 | | | | 3,156,063 |
| Principal payments on line of credit | (3,156,876) | | | | (3,156,876) |
| Interest paid | (42,308) | | | | (42,308) |
| Other noncapital financing activities | 2,307,743 | (282) | | 282 | 2,307,743 |
| Net cash provided (used) by capital and related financing activities | 2,467,653 | (203,313) | - | 282 | 2,264,622 |
| Cash flows from capital and related financing activities | | | | | |
| Acquisition of capital assets | (5,564,685) | | | 10,000 | (5,554,685) |
| Proceeds from bonds/notes payable | 397,264 | | | | 397,264 |
| Principal payments on long-term debt, lease and SBITA liabilities | (2,525,400) | | | (50,282) | (2,575,682) |
| Payment of issuance costs and interest | (1,614,573) | (191,607) | (6,000) | 191,889 | (1,620,291) |
| Other capital financing activities | 3,789,131 | | | | 3,789,131 |
| Net cash used by capital and related financing activities | (5,518,263) | (191,607) | (6,000) | 151,607 | (5,564,263) |
| Cash flows from investing activities | | | | | |
| Changes in | | | | | |
| Assets held by trustee | (7,702) | | | | (7,702) |
| Investment income received | 1,007,203 | 191,895 | | (191,889) | 1,007,209 |
| Net cash provided by investing activities | 999,501 | 191,895 | - | (191,889) | 999,507 |
| Net change in cash and cash equivalents | (2,438,707) | 6 | 7,977 | - | (2,430,724) |
| Cash and cash equivalents at beginning of year | 40,305,498 | 270,504 | 4,660 | | 40,580,662 |
| Cash and cash equivalents at end of year | $ 37,866,791 | $ 270,510 | $ 12,637 | $ - | $ 38,149,938 |
| Reconciliation of cash and cash equivalents | | | | | |
| Cash and cash equivalents | $ 22,273,103 | $ 210 | $ 12,637 | $ - | $ 22,285,950 |
| Cash included in assets limited as to use | | | | | |
| Internally designated for capital assets | 13,902,216 | | | | 13,902,216 |
| By County for capital assets | 1,691,472 | | | | 1,691,472 |
| Under indenture of loan agreement | | 270,300 | | | 270,300 |
| Total cash and cash equivalents | $ 37,866,791 | $ 270,510 | $ 12,637 | $ - | $ 38,149,938 |

## Note S - Condensed Financial Information - Continued

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Labette Health | LHEA | SEKRH | Eliminations | Total |
| Cash flows from operating activities | | | | | |
| Receipts from and on behalf of patients | $ 86,056,740 | $ - | | $ - | $ 86,056,740 |
| Payments to or on behalf of employees | (52,106,648) | | | | (52,106,648) |
| Payments for supplies and services | (40,799,406) | (43,679) | 6,655 | 298,782 | (40,537,648) |
| Other receipts and payments | 10,329,178 | | | | 10,329,178 |
| Net cash provided (used) by operating activities | 3,479,864 | (43,679) | 6,655 | 298,782 | 3,741,622 |
| Cash flows from noncapital and related financing activities | | | | | |
| Transfer | (43,879) | 43,879 | | | |
| Proceeds from line of credit | 1,131,214 | | | | 1,131,214 |
| Principal payments on line of credit | (1,071,238) | | | | (1,071,238) |
| Interest paid | (42,070) | | | | (42,070) |
| Other noncapital financing activities | 1,070,659 | (279) | | 279 | 1,070,659 |
| Net cash provided by capital and related financing activities | 1,044,686 | 43,600 | - | 279 | 1,088,565 |
| Cash flows from capital and related financing activities | | | | | |
| Acquisition of capital assets | (4,952,524) | | | (248,782) | (5,201,306) |
| Proceeds from bonds/notes payable | 2,875,144 | | | | 2,875,144 |
| Principal payments on long-term debt, lease and SBITA liabilities | (2,665,983) | | | (50,279) | (2,716,262) |
| Payment of issuance costs and interest | (1,612,354) | (191,607) | (1,995) | 191,886 | (1,614,070) |
| Other capital financing activities | 413,972 | | | | 413,972 |
| Net cash used by capital and related financing activities | (5,941,745) | (191,607) | (1,995) | (107,175) | (6,242,522) |
| Cash flows from investing activities | | | | | |
| Changes in | | | | | |
| Assets held by trustee | (258,178) | | | | (258,178) |
| Investment income received | 732,204 | 191,890 | | (191,886) | 732,208 |
| Net cash provided by investing activities | 474,026 | 191,890 | - | (191,886) | 474,030 |
| Net change in cash and cash equivalents | (943,169) | 204 | 4,660 | - | (938,305) |
| Cash and cash equivalents at beginning of year | 41,248,667 | 270,300 | | | 41,518,967 |
| Cash and cash equivalents at end of year | $ 40,305,498 | $ 270,504 | $ 4,660 | $ - | $ 40,580,662 |
| Reconciliation of cash and cash equivalents | | | | | |
| Cash and cash equivalents | $ 22,669,253 | $ 204 | $ 4,660 | $ - | $ 22,674,117 |
| Cash included in assets limited as to use | | | | | |
| Internally designated for capital assets | 16,271,707 | | | | 16,271,707 |
| By County for capital assets | 1,364,538 | | | | 1,364,538 |
| By contributors for capital assets | | 270,300 | | | 270,300 |
| Total cash and cash equivalents | $ 40,305,498 | $ 270,504 | $ 4,660 | $ - | $ 40,580,662 |

**Note S - Condensed Financial Information - Continued**

The following is condensed financial data for the discretely presented component units of Labette Health as of December 31, 2024 and 2023, and for the years then ended. The Foundation is a major component unit due to the considerable financial benefit it provides to Labette Health.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Major component unit | Nonmajor component unit | Major component unit | Nonmajor component units |
| Cash and cash equivalents | $ 205,910 | $ 2,671 | $ 3,399 | $ 2,671 |
| Investments | 435,322 | | 395,474 | |
| Other receivables | 1,581 | | 4,183 | |
| Lease receivable | 168,562 | | 163,586 | |
| Pledges receivable | 4,993 | | 9,821 | |
| Total current assets | 816,368 | 2,671 | 576,463 | 2,671 |
| Assets limited as to use | 4,416,625 | | 5,938,530 | |
| Capital assets, net | 3,434,804 | 164,657 | 3,799,596 | 182,808 |
| Lease receivable less current portion | 14,289,547 | | 14,458,109 | |
| Other assets | 160,730 | | 137,233 | |
| Total assets | $ 23,118,074 | $ 167,328 | $ 24,909,931 | $ 185,479 |
| Current portion of long-term obligations | $ 131,138 | $ - | $ 127,648 | $ - |
| Due to Labette Health | | 1,816 | 75 | 46,303 |
| Total current liabilities | 131,138 | 1,816 | 127,723 | 46,303 |
| Long-term obligations, less current maturities | 5,017,284 | | 5,148,422 | |
| Total liabilities | 5,148,422 | 1,816 | 5,276,145 | 46,303 |
| Deferred inflows of resources | 14,458,109 | | 14,621,695 | |
| Net position | | | | |
| Net investment in capital assets | (1,713,618) | 162,841 | (1,476,474) | 136,505 |
| Restricted | | | | |
| For debt service | 185,385 | | 158,593 | |
| Expendable for specific Labette Health operating activities | 3,932,540 | | 5,481,237 | |
| Unrestricted | 1,107,236 | 2,671 | 848,735 | 2,671 |
| Total net position | 3,511,543 | 165,512 | 5,012,091 | 139,176 |
| Total liabilities, deferred inflows of resources, and net position | $ 23,118,074 | $ 167,328 | $ 24,909,931 | $ 185,479 |

**Note S - Condensed Financial Information - Continued**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Major component unit | Nonmajor component unit | Major component unit | Nonmajor component units |
| Rental revenue from Labette Health | $ 163,586 | $ 44,566 | $ 158,758 | $ 47,234 |
| Other operating revenues | 469,698 | | 1,412,578 | |
| Total operating revenues | 633,284 | 44,566 | 1,571,336 | 47,234 |
| Supplies and other expenses | 2,240,046 | 80 | 403,506 | 858 |
| Depreciation and amortization | 364,793 | 18,150 | 364,792 | 18,577 |
| Total operating expenses | 2,604,839 | 18,230 | 768,298 | 19,435 |
| Operating income (loss) | (1,971,555) | 26,336 | 803,038 | 27,799 |
| Nonoperating revenues (expenses) | 471,007 | | 432,963 | |
| Change in net position | (1,500,548) | 26,336 | 1,236,001 | 27,799 |
| Net position beginning of year | 5,012,091 | 139,176 | 3,776,090 | 111,377 |
| Net position end of year | $ 3,511,543 | $ 165,512 | $ 5,012,091 | $ 139,176 |

**Note S - Condensed Financial Information - Continued**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Major component unit | Nonmajor component unit | Major component unit | Nonmajor component units |
| Cash flows from operating activities | | | | |
| Payments for supplies and services | $ (2,240,121) | $ (44,566) | $ (403,431) | $ (47,234) |
| Other receipts and payments | 981,076 | 44,566 | 1,624,646 | 47,234 |
| Net cash provided (used) by operating activities | (1,259,045) | - | 1,221,215 | - |
| Cash flows from capital and related financing activities | | | | |
| Repayments of long-term obligations | (127,649) | | (124,939) | |
| Interest paid | (127,376) | | (130,085) | |
| Net cash used by capital and related financing activities | (255,025) | - | (255,024) | - |
| Cash flows from investing activities | | | | |
| Changes in investments | (24,369) | | (16,665) | |
| Investment income received | 562,009 | | 512,988 | |
| Net cash provided by investing activities | 537,640 | - | 496,323 | - |
| Net change in cash and cash equivalents | (976,430) | - | 1,462,514 | - |
| Cash and cash equivalents at beginning of year | 5,340,271 | 2,671 | 3,877,757 | 2,671 |
| Cash and cash equivalents at end of year | $ 4,363,841 | $ 2,671 | $ 5,340,271 | $ 2,671 |
| Reconciliation of cash and cash equivalents | | | | |
| Cash and cash equivalents | $ 205,910 | $ 2,671 | $ 3,399 | $ 2,671 |
| Cash included in assets limited as to use | | | | |
| Internally designated for capital assets | 298,700 | | 298,700 | |
| Under loan agreement | 185,385 | | 158,593 | |
| For specific operating activities | 3,673,846 | | 4,879,579 | |
| Total cash and cash equivalents | $ 4,363,841 | $ 2,671 | $ 5,340,271 | $ 2,671 |

**Note T - Risk Management**

For the years ended December 31, 2024 and 2023, Labette Health was insured for hospital professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $500,000 per occurrence up to an annual aggregate of $1,500,000 for all claims made during the policy year. Labette Health is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $500,000 pursuant to any one judgment or settlement against Labette Health 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. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of $1,000,000 per occurrence with an aggregate amount in any policy period of $3,000,000. All coverage is on a claims-made basis. The above policies were renewed on January 1, 2025, for the policy period from January 1, 2025 to January 1, 2026.

In addition to the risks disclosed elsewhere in these financial statements and notes thereto, Labette Health is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. Labette Health purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Note U - Commitments and Contingencies**

Labette Health purchases professional and general liability insurance to cover medical malpractice and other liability claims (Note T). There are known claims and incidents that have been asserted. These claims have been referred to Labette Health's insurance carriers and are in various stages of processing. No accrual for loss contingencies related to these matters have been made in the financial statements as the amount of ultimate settlement, if any, cannot be reasonably estimated.

**Note V - Related-Party Transactions**

Labette Health received $2,192,430 and $348,640 from the Foundation during 2024 and 2023, respectively. Labette Health incurred $105,436 and $111,207 in salary, employee benefits, and professional fees on behalf of the Foundation during 2024 and 2023, respectively. Labette Health paid rent to the Foundation totaling $600,000 during 2024 and 2023.

Labette Health paid rent to LHRP totaling $44,566 and $47,234 during 2024 and 2023, respectively.

A member of Labette Health's board of trustees is an executive officer of a local bank. At December 31, 2024, Labette Health had $2,523,513 of deposits with this bank.

A member of LHEA's board of directors is the president of another local bank. At December 31, 2024, Labette Health had $12,063,596 of deposits with this bank in addition to an outstanding note payable of $397,264.

A member of SEKRH's board of directors is an executive officer of a local bank. At December 31, 2024, Labette Health had $7,211,742 of deposits with this bank in addition to a $2,800,000 line of credit with an outstanding balance of $1,383,750.

## Note W - County Tax Proceeds

On June 26, 2001, voters of the County approved a .25 percent health care retailers' sales tax to be used as a source of funding for the provision of emergency medical services. The County has agreed to pay Labette Health an amount equal to the lesser of 100 percent of the sales tax or 95 percent of Labette Health's direct loss attributable to the provision of ambulance services. Of the sales tax, 100 percent exceeded 95 percent of Labette Health's direct loss attributable to the provision of ambulance services by $380,412 during 2024 and by $316,648 during 2023. The County has restricted these amounts to use for future capital acquisitions for ambulance services.

## Note X - Prior Period Adjustments

The following changes were made to Labette Health's 2023 financial statement amounts for the adoption of the new accounting standard described in Note A25.

| | Amount as previously reported | Adoption of accounting standard | Amount as restated |
|---|---|---|---|
| Labette Health | | | |
| Statement of Net Position | | | |
| Liabilities | | | |
| Accrued compensated absences | $ 1,565,587 | $ 313,000 | $ 1,878,587 |
| Total current liabilities | 14,316,083 | 313,000 | 14,629,083 |
| Accrued compensated absences less current portion | | 552,000 | 552,000 |
| Total long-term liabilities | 56,928,850 | 552,000 | 57,480,850 |
| Total liabilities | 71,244,933 | 865,000 | 72,109,933 |
| Net position | | | |
| Unrestricted | 51,420,481 | (865,000) | 50,555,481 |
| Total net position | 57,356,264 | (865,000) | 56,491,264 |
| Statements of Revenues, Expenses, and Changes in Net Position | | | |
| Operating expenses | | | |
| Salaries and wages | $ 44,224,124 | $ 53,000 | $ 44,277,124 |
| Employee benefits | 8,127,797 | 3,000 | 8,130,797 |
| Total operating expenses | 97,518,578 | 56,000 | 97,574,578 |
| Operating loss | (2,582,274) | (56,000) | (2,638,274) |
| Excess of revenues under expense before capital items | (2,318,460) | (56,000) | (2,374,460) |
| Change in net position | (1,907,979) | (56,000) | (1,963,979) |
| Net position at beginning of year | 59,264,243 | (809,000) | 58,455,243 |
| Statement of Cash Flows | | | |
| Reconciliation of operating loss to net cash provided by operating activities | | | |
| Operating loss | $ (2,582,274) | $ (56,000) | $ (2,638,274) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | | | |
| Accounts payable and accrued expenses | (241,298) | 56,000 | (185,298) |

**Note Y - Subsequent Events**

On August 8, 2025, Labette Health renewed the line of credit agreement to change the maturity date to March 24, 2026. All other terms and conditions of the renewed line of credit agree to the previous agreement.

**Supplementary Information**

**Labette County Medical Center**
**d/b/a Labette Health**
**Schedule of Expenditures of Federal Awards**
**December 31, 2024**

| Federal grantor/pass-through grantor/program title | Assistance listing number | Pass-through grantor's number | Passed through to subrecipients | Total federal expenditures |
|---|---|---|---|---|
| **United States Department of Agriculture** | | | | |
| Community Facilities Loans and Grants | 10.766 | N/A | $ - | $ 560,751 |
| Summer Food Service Program for Children | 10.559 | N/A | | 31,985 |
| **Total United States Department of Agriculture** | | | - | 592,736 |
| **United States Department of Health and Human Services** | | | | |
| Congressional Directives | 93.493 | N/A | - | 2,682,919 |
| **United States Department of Treasury** | | | | |
| Passed through from Kansas Department of Health and Environment | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | - | 111,875 |
| **Total federal awards** | | | $ - | $ 3,387,530 |

# Labette County Medical Center
# d/b/a Labette Health
# Note to the Schedule of Expenditures of Federal Awards
# December 31, 2024

**Note 1 - Basis of Presentation**

The Accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant award activity of Labette County Medical Center (the Medical Center) under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Medical Center.

The accompanying Schedule does not include the federal grant activity of Labette Health Foundation, Inc. (the Foundation). Those awards are reported on the Schedule of Expenditures of Federal Awards of the Foundation.

**Note 2 - Significant Accounting Policies**

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3 - Indirect Cost Rate**

Labette Health has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance. Labette Health's federal expenditures do not include indirect administrative expenses.

Wendling Noe Nelson & Johnson LLC
Certified Public Accountants and Business Advisors

Ashley R. Davis, CPA
Heather R. Eichem, CPA
Brian J. Florea, CPA
Eric L. Otting, CPA
Cameron L. Werth, CPA

Adam C. Crouch, CPA
Tyler R. Crow, CPA
Connie J. Holthaus, CPA
Stephanie D. Kennedy, CPA
Abby J. Noll, CPA

## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Labette County Labette Health

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Labette County Labette Health (Labette Health), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Labette Health's basic financial statements, and have issued our report thereon dated August 19, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Labette Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Labette Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Labette Health's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Labette Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


623 SW 10th Avenue, Suite 300, Topeka, Kansas 66612-1679 · (785)233-4226 · (888)272-9665 · FAX: (785)233-6830
www.wnnjcpa.com · EMAIL: wnnj@wnnjcpa.com

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Labette Health's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Labette Health's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wendling Noe Nelson: Johnsen LLC

Topeka, Kansas
August 19, 2025

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## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Labette County Medical Center

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Labette County Medical Center's (Labette Health) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Labette Health's major federal programs for the year ended December 31, 2024. Labette Health's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Labette Health complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Labette Health and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Labette Health's compliance with the compliance requirements referred to above.

***Other Matters - Federal Expenditures Not Included in the Compliance Audit***

Labette Health's basic financial statements include the operations of the Labette Health Foundation, Inc. (the Foundation), a discretely presented component unit, which expended $5,276,070 in federal awards which is not included in Labette Health's schedule of expenditures of federal awards during the year ended December 31, 2024. Our audit, described in the Opinion on Each Major Federal Program section, did not include the operations of the Foundation because a separate compliance audit in accordance with Uniform Guidance was issued for the Foundation.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Labette Health's federal programs.


623 SW 10th Avenue, Suite 300, Topeka, Kansas 66612-1679 · (785)233-4226 · (888)272-9665 · FAX: (785)233-6830
www.wnnjcpa.com · EMAIL: wnnj@wnnjcpa.com

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Labette Health's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Labette Health's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Labette Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Labette Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Labette Health's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wendling Noe Nelson : Johnson LLC

Topeka, Kansas
August 19, 2025

**Labette County Medical Center**
**d/b/a Labette Health**
**Schedule of Findings and Questioned Costs**
**Year ended December 31, 2024**

**Section I - Summary of Auditors' Results**

Financial statements

| | | |
|---|---|---|
| Type of opinion expressed in the auditor's report issued | | Unmodified |
| Internal control over financial reporting | | |
| • Material weakness(es) identified? | ___ Yes | _X_ No |
| • Significant deficiencies identified that are not considered to be material weakness(es)? | ___ Yes | _X_ None reported |
| Noncompliance material to financial statements noted | ___ Yes | _X_ No |

Federal awards

| | | |
|---|---|---|
| Internal control over major programs | | |
| • Material weakness(es) identified? | ___ Yes | _X_ No |
| • Significant deficiencies identified that are not considered to be material weakness(es)? | ___ Yes | _X_ None reported |
| Type of auditor's report issued on compliance for major programs | | Unmodified |
| Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a) | ___ Yes | _X_ No |

Identification of major programs

| Assistance listing number | Name of Program |
|---|---|
| 93.493 | Congressional Directives |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs | | $750,000 |
| Entity qualified as low-risk auditee | ___ Yes | _X_ No |

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None