Independent Auditor's Report and Financial Statements

Labette County Medical Center
d/b/a Labette Health

December 31, 2022 and 2021

Contents

	Page
Management's Discussion and Analysis	1
Independent Auditor's Report	5
Financial Statements	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	12
Supplementary information	
Schedule of Expenditures of Federal Awards	46
Notes to the Schedule of Expenditures of Federal Awards	47
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*	48
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	50
Schedule of Findings and Questioned Costs	52

Labette County Medical Center
d/b/a Labette Health
Management's Discussion and Analysis
Years ended December 31, 2022 and 2021

Our discussion and analysis of the financial performance of Labette County Medical Center d/b/a Labette Health and our blended component unit, Labette Health Endowment Association (LHEA), provides a narrative overview of Labette Health's financial activities for the years ended December 31, 2022 and 2021. Please read it in conjunction with the accompanying financial statements.

Financial highlights

Labette Health's net position increased by $2,047,770 or 3.6 percent in 2022 and increased by $11,412,230 or 24.9 percent in 2021.

Labette Health reported an operating loss of $2,014,810, $2,229,637 and $1,271,933 in 2022, 2021 and 2020 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:

	2022	2021	2020
Assets			
Current assets	$ 40,618,633	$ 44,472,782	$ 42,015,052
Assets limited as to use	17,663,594	16,669,761	27,252,740
Capital assets, net	62,259,921	59,453,773	31,432,075
Other assets	11,058,325	11,261,134	11,087,603
Total assets	131,600,473	131,857,450	111,787,470
Deferred outflows of resources	232,360	264,523	298,389
Liabilities			
Current liabilities	(16,041,962)	(19,638,276)	(26,133,438)
Long-term liabilities	(56,476,564)	(55,217,160)	(40,098,114)
Total liabilities	(72,518,526)	(74,855,436)	(66,231,552)
Net position	$ 59,314,307	$ 57,266,537	$ 45,854,307

Cash and cash equivalents in the current asset category decreased by $4,796,544 in 2022 and increased by $5,287,595 in 2021, respectively.

Beginning in March 2020, Labette Health, along with all health care providers in the United States, was negatively impacted by the worldwide coronavirus pandemic. Patient volumes and related revenues for Labette Health's services were significantly impacted. In addition, expenses were impacted by shortages in labor and increases in certain supply and drug costs. In response, the Coronavirus Aid, Relief, and Economic Security Act (CARES) and subsequent legislation has provided funding during these uncertain times. Labette Health was approved for a Patient Protection Program (PPP) loan, received several grants to prevent, prepare for, and respond to coronavirus, and deferred the employer portion of social security tax.

Net patient accounts receivable decreased by $693,451 in 2022 and increased by $1,817,865 in 2021, respectively. The number of days of net revenue represented by net accounts receivable was 51 days, 56 days, and 52 days as of December 31, 2022, 2021, and 2020, respectively.

Net capital assets increased by $2,806,148 and $28,021,698 in 2022 and 2021, respectively. The significant increase in 2021 is due to the implementation of GASB 87, *Leases*, which increased net capital assets by $15,057,788 as well as renovation and expansion of Labette Health. Cash outlays for capital asset acquisitions totaled $6,720,050 during 2022, of which approximately $4,754,000 (70.7 percent) 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. Cash outlays for capital asset acquisitions totaled approximately $18,255,320 during 2021, of which approximately $12,300,000 (67.4 percent) was financed with proceeds from bonds, notes payable, or lease obligations, approximately $4,700,000 from Medical Center cash set aside under bond indenture requirements, and the rest was paid for with operating cash flow.

Labette Health issued bonds in 2021 in the principal amount of $9,918,000 for the refunding of the 2016 bonds and for the renovation and expansion of Labette Health's facilities.

In 2020, Labette Health issued bonds in the principal amount not to exceed $10,000,000 and LHEA entered into loan agreements for $13,580,000 for renovation and expansion of Labette Health's facilities. In connection with the loan agreement, Labette Health entered into a leverage loan agreement in the amount of $9,959,600. At December 31, 2022, Labette Health had outstanding commitments of approximately $786,000 for renovation, expansion, and equipment.

Labette Health's net position increased by $2,047,770 or 3.6 percent in 2022 and increased by $11,412,230 or 24.9 percent in 2021. The percentage of total assets financed with net position, or equity, was 45.0 percent, 43.3 percent, and 40.9 percent as of December 31, 2022, 2021, and 2020, 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:

	2022	2021	2020
Operating revenues	$ 88,745,879	$ 85,497,462	$ 81,582,260
Operating expenses	90,760,689	87,727,099	82,854,193
Operating loss	(2,014,810)	(2,229,637)	(1,271,933)
Ambulance subsidy and sales tax revenue	870,777	798,083	735,368
Interest expense	(1,632,382)	(1,834,288)	(1,933,708)
COVID-19 grants, total	4,220,482	10,980,201	3,762,899
Other nonoperating revenues	600,685	3,257,323	595,608
Other capital revenues	3,018	440,548	895,725
Change in net position	$ 2,047,770	$ 11,412,230	$ 2,783,959

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 decreased by $214,827 in 2022 and increased by $957,704 in 2021.

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

	2022	2021	2020
Inpatient services	$ 30,277,570	$ 34,854,735	$ 34,047,160
Outpatient services	181,606,177	174,483,791	151,142,302
Physician services	32,533,373	30,366,376	27,353,611
Gross patient service revenue	244,417,120	239,704,902	212,543,073
Contractual adjustments	(148,964,746)	(147,505,225)	(129,053,751)
Provision for bad debts	(13,686,840)	(12,933,537)	(11,051,885)
Charity care	(1,185,531)	(1,296,002)	(778,437)
Net patient service revenue	$ 80,580,003	$ 77,970,138	$ 71,659,000

Labette Health strategically adjusted charges as needed to reflect higher costs during 2022. There were no significant changes to charges in 2021. Total inpatient revenues decreased by 13.1 percent during 2022. The decrease was a result of a 14.6 percent decrease in acute and ICU patient days, and 12.9 percent decrease in rehabilitation unit patient days in 2022 and an increase in nursery days of 18.9 percent. Total inpatient revenues increased by 2.4 percent during 2021. The increase was a result of a 9.5 percent increase in acute and ICU patient days, a 13.6 percent decrease in rehabilitation unit patient days, and a 3.9 percent decrease in nursery patients.

Outpatient revenues increased by 4.1 and 15.4 percent during 2022 and 2021, respectively, due to changes in outpatient registrations and charge mix. Physician revenues increased by 7.1 percent and 11.0 percent during 2022 and 2021, respectively, due to an increase 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 60.9 percent, 61.5 percent, and 60.7 percent of gross patient service revenue during 2022, 2021, and 2020, respectively.

The provision for bad debts and charity care write-offs combined represent 6.1 percent, 5.9 percent, and 5.6 percent of gross patient service revenue during 2022, 2021, and 2020, respectively.

Employee salaries and wages increased by $1,450,370 or 3.5 percent during 2022 and increased by $3,127,731 or 8.3 percent during 2021. The number of full-time equivalent employees decreased by 7 (1.2 percent) during 2022 and increased by 27 (4.6 percent) during 2021.

The cost of employee benefits equaled 17.7 percent, 17.3 percent, and 15.8 percent of salaries and wages during 2022, 2021, and 2020, 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 1.2 percent during 2022 and increased by 5.1 percent during 2021. 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. Nonoperating revenues also include $3,404,077 of COVID-19 grants recognized in 2022 and SBA loan forgiveness of $1,977,228 and $5,828,957 of COVID-19 grants recognized in 2021. Capital grants include $816,405 and $5,151,244 of COVID-19 grants recognized for capital purchases in 2022 and 2021, respectively.

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
Stephanie D. Kennedy, 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, 2022 and 2021, 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, 2022 and 2021, 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 audit 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, 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. The financial statements of Labette Health Regional Partnerships, Inc., and Southeast Kansas Regional Health, Inc., components of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards* for the years ended December 31, 2022 and 2021. The financial statements of Labette Health Foundation, Inc., a component of the aggregate discretely presented component units, was not audited in accordance with *Government Auditing Standards* for the year ended December 31, 2021. 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 audit. 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.

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

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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Labette Health'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 underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 July 25, 2023, 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 Labette Health's internal control over financial reporting and compliance.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
July 25, 2023

Financial Statements

Labette County Medical Center
d/b/a Labette Health
Statements of Net Position
December 31, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022		2021	
	Labette Health	Component units	Labette Health	Component units
Current assets				
Cash and cash equivalents	$ 23,916,769	$ 2,671	$ 28,713,313	$ 2,671
Investments		271,552		233,385
Assets limited as to use	442,731		223,284	
Patient accounts receivable, net	11,267,085		11,960,536	
Lease receivables		158,758		154,071
Other receivables	1,515,754	13,409	897,163	18,080
Estimated third-party payor settlements	988,072		60,000	
Inventories	1,985,559		2,146,911	
Prepaid expenses	502,663		471,575	
Total current assets	40,618,633	446,390	44,472,782	408,207
Assets limited as to use				
Internally designated for capital assets	16,036,420	298,700	12,473,840	298,700
Under indenture agreement - held by trustee	482,128		2,229,809	
By County for capital assets	1,317,477		1,345,546	
By contributors for capital assets			573,550	
Under indenture or loan agreement				
For debt service		132,272		106,591
For specific operating activities	270,300		270,300	
By contributors for specific operating activities		4,179,667		3,808,389
	18,106,325	4,610,639	16,893,045	4,213,680
Less amounts required to meet current obligations	442,731		223,284	
	17,663,594	4,610,639	16,669,761	4,213,680
Capital assets				
Capital assets not being depreciated	5,212,153	673,384	13,832,494	352,832
Depreciable capital assets, net	40,894,289	4,012,942	28,828,095	4,411,897
Lease assets, net	16,153,479		16,793,184	
Capital assets, net	62,259,921	4,686,326	59,453,773	4,764,729
Other assets				
Leverage loan receivable	9,959,600		9,959,600	
Advances receivable	1,068,725		1,301,534	
Lease receivables, less current portion		14,621,695		14,780,453
Other	30,000	117,111		141,299
	11,058,325	14,738,806	11,261,134	14,921,752
Total assets	131,600,473	24,482,161	131,857,450	24,308,368
Deferred outflows of resources				
Deferred outflows on advance refunding	232,360		264,523	
Total deferred outflows of resources	232,360	-	264,523	-
Total assets and deferred outflows of resources	$ 131,832,833	$ 24,482,161	$ 132,121,973	$ 24,308,368

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	2022		2021	
	Labette Health	Component units	Labette Health	Component units
Current liabilities				
Current maturities of long-term debt	$ 2,882,710	$ 174,939	$ 3,116,094	$ 121,947
Current maturities of lease liabilities	604,611		588,114	
Accounts payable	5,428,659		5,718,759	
Construction costs payable	2,197,821		1,192,611	
Due to Labette Health		242,765		172,348
Accrued salaries, wages, and benefits	2,673,648		2,985,546	
Accrued compensated absences	1,544,444		1,567,235	
Accrued interest payable	182,722		108,147	
Accrued health insurance claims	383,886		260,030	
Unearned COVID-19 grant revenue			4,058,878	
Estimated third-party payor settlements	20,934			
Other current liabilities	122,527		42,862	
Total current liabilities	16,041,962	417,704	19,638,276	294,295
Long-term liabilities				
Long-term debt less current maturities	40,669,982	5,426,071	38,805,967	5,401,010
Lease liabilities less current maturities	15,806,582		16,411,193	
Total long-term liabilities	56,476,564	5,426,071	55,217,160	5,401,010
Total liabilities	72,518,526	5,843,775	74,855,436	5,695,305
Deferred inflows of resources				
Deferred inflows of resources arising from leases		14,780,453		14,934,524
Net position				
Net investment in capital assets	5,605,894	(1,157,449)	6,670,057	(902,604)
Restricted				
For debt service	270,300	132,272	270,300	106,591
Expendable for capital acquisitions	1,317,477		1,919,096	
Expendable for specific operating activities		4,179,667		3,808,389
Unrestricted	52,120,636	703,443	48,407,084	666,163
Total net position	59,314,307	3,857,933	57,266,537	3,678,539
Total liabilities, deferred inflows of resources, and net position	$ 131,832,833	$ 24,482,161	$ 132,121,973	$ 24,308,368

Labette County Medical Center
d/b/a Labette Health
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2022 and 2021

	2022		2021	
	Labette Health	Component units	Labette Health	Component units
Operating revenues				
Net patient service revenue	$ 80,580,003	$ -	$ 77,970,138	$ -
Other	8,165,876	753,078	7,527,324	1,902,786
Total operating revenues	88,745,879	753,078	85,497,462	1,902,786
Operating expenses				
Salaries and wages	42,326,761		40,876,391	
Employee benefits	7,492,458		7,074,529	
Supplies and other	36,647,741	384,746	36,225,979	778,948
Depreciation and amortization	4,293,729	398,955	3,550,200	412,285
Total operating expenses	90,760,689	783,701	87,727,099	1,191,233
Operating income (loss)	(2,014,810)	(30,623)	(2,229,637)	711,553
Nonoperating revenues (expenses)				
Ambulance subsidy	698,045		695,937	
Investment income	280,451	367,282	211,715	492,568
Interest expense	(1,632,382)	(133,077)	(1,834,288)	(135,997)
Noncapital grant and contributions	403,749		994,597	
COVID-19 grants	3,404,077		5,828,957	
SBA PPP loan forgiveness			1,977,228	
Other	(83,515)	(24,188)	73,783	23,515
Total nonoperating revenues (expenses)	3,070,425	210,017	7,947,929	380,086
Excess of revenues over expenses, before grants, contributions, and sales tax revenue restricted for capital purposes	1,055,615	179,394	5,718,292	1,091,639
Capital grants and contributions	3,018		440,548	
COVID-19 grants used for capital purchases	816,405		5,151,244	
Sales tax revenue restricted for capital purchases	172,732		102,146	
Change in net position	2,047,770	179,394	11,412,230	1,091,639
Net position at beginning of year				
As previously reported	57,443,173	3,678,539	45,854,307	2,586,900
Prior period adjustment for change in accounting principle	(176,636)			
As restated	57,266,537	3,678,539	45,854,307	2,586,900
Net position, end of year	$ 59,314,307	$ 3,857,933	$ 57,266,537	$ 3,678,539

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, 2022 and 2021

	2022		2021	
	Labette Health	Component units	Labette Health	Component units
Cash flows from operating activities				
Receipts from and on behalf of patients	$ 80,366,316	$ -	$ 76,657,273	$ -
Payments to or on behalf of employees	(50,060,052)		(47,884,334)	
Payments for supplies and services	(36,032,900)	(434,881)	(37,393,057)	(832,668)
Other receipts and payments	7,594,338	1,292,185	9,605,131	1,905,334
Net cash provided by operating activities	1,867,702	857,304	985,013	1,072,666
Cash flows from noncapital financing activities				
Ambulance subsidy	705,734		681,011	
COVID-19 grants received	129,854		1,731,437	
Noncapital grants and contributions	430,360		1,000,508	
Net cash provided by noncapital financing activities	1,265,948	-	3,412,956	-
Cash flows from capital and related financing activities				
Acquisition of capital assets	(6,720,050)	(200,000)	(18,255,320)	
Proceeds from bond issuance	4,754,196		12,114,660	
Proceeds from notes payable		200,000	897,983	
Payment of bond and notes payable issuance costs			(176,680)	
Principal payments on long-term debt	(3,123,565)	(121,947)	(1,940,028)	(119,027)
Principal payments on lease liabilities	(588,114)		(572,075)	
Payment to extinguish debt			(7,730,000)	
Interest paid	(1,525,644)	(133,077)	(1,585,203)	(135,997)
Capital grants and contributions	2,812		442,742	
COVID-19 capital grants received	31,750		3,359,488	
Proceeds from sale of capital assets			93,421	
Sales tax revenue restricted for capital purchases	172,732		102,146	
Net cash used by capital and related financing activities	(6,995,883)	(255,024)	(13,248,866)	(255,024)
Cash flows from investing activities				
Changes in				
Assets held by trustee	1,747,681		(1,975,446)	
Investments		170,045		(224,582)
Investment income received	265,484	458,526	228,540	487,197
Net cash provided (used) by investing activities	2,013,165	628,571	(1,746,906)	262,615
Net change in cash and cash equivalents	(1,849,068)	1,230,851	(10,597,803)	1,080,257
Cash and cash equivalents at beginning of year	43,368,035	2,649,577	53,965,838	1,569,320
Cash and cash equivalents at end of year	$ 41,518,967	$ 3,880,428	$ 43,368,035	$ 2,649,577

Labette County Medical Center
d/b/a Labette Health
Statements of Cash Flows - Continued
Years ended December 31, 2022 and 2021

	2022		2021	
	Labette Health	Component units	Labette Health	Component units
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	$ 23,916,769	$ 2,671	$ 28,713,313	$ 2,671
Cash included in assets limited as to use				
Internally designated for capital assets	16,014,421	298,700	12,465,326	298,700
By County for capital assets	1,317,477		1,345,546	
By contributors for capital assets			573,550	
Under indenture or loan agreement	270,300	132,272	270,300	106,591
For specific operating activities		3,446,785		2,241,615
Total cash and cash equivalents	$ 41,518,967	$ 3,880,428	$ 43,368,035	$ 2,649,577
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ (2,014,810)	$ (30,623)	$ (2,229,637)	$ 711,553
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	4,293,729	398,955	3,550,200	412,285
Provision for bad debts	13,686,840		12,933,537	
Changes in				
Patient accounts receivable	(12,993,389)		(14,751,402)	
Other receivables	(638,090)		2,077,807	
Pledges receivable		539,107		2,548
Advances receivable	232,809		(173,531)	
Estimated third-party payor settlements	(907,138)		505,000	
Inventories	161,352		(86,088)	
Prepaid expenses	(31,088)		426,296	
Accounts payable and accrued expenses	77,487	(50,135)	(1,267,169)	(53,720)
Net cash provided by operating activities	$ 1,867,702	$ 857,304	$ 985,013	$ 1,072,666

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, 2022 and 2021

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.

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.

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.

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

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.

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 administered by a ten-member Board of Directors of which five members are appointed by Labette Health's Board of Trustees. Because Labette Health appoints fifty percent of the governing board, SEKRH 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, 2022 and 2021, include allowance for uncollectible accounts of $5,729,068 and $4,465,820, 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 are stated at cost. Depreciation of capital assets excluding lease assets are provided on the straight-line method over the estimated useful lives of the assets. 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 amortizing the lease liability.

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

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.

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

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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 noncapital 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.

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

19. 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.

20. 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.

21. 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.

22. 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 is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code.

LHRP is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code.

SEKRH is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code.

Management is not aware of any uncertainties in income tax positions. Tax years ended on or before December 31, 2018, are not subject to examination by taxing authorities.

23. Adoption of accounting pronouncements

Effective January 1, 2022, Labette Health adopted Governmental Accounting Standards Board (GASB) Statement 87, *Leases*. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB 87 required a retrospective transition

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

method using the facts and circumstances that existed at the beginning of the earliest period presented (i.e., January 1, 2021). The effect of the implementation of this standard on beginning net position was a decrease of $176,636 applicable to 2021 and has been included in the restated 2021 net position. See Note X for additional disclosure of the effect of implementing this standard.

24. 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, 2018.

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 its hospital-specific operating DRG rate which is higher than 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 during both 2022 and 2021.

Note B - Net Patient Service Revenue - Continued

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

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:

	2022	2021
Gross patient service revenue	$244,417,120	$239,704,902
Contractual adjustments	(148,964,746)	(147,505,225)
Provision for bad debts	(13,686,840)	(12,933,537)
Charity care	(1,185,531)	(1,296,002)
Net patient service revenue	$ 80,580,003	$ 77,970,138

Revenue from the Medicare and Medicaid programs accounted for approximately 27 percent and 8 percent, respectively, of Labette Health's net patient service revenue during 2022, and 30 percent and 6 percent, respectively, of Labette Health's net patient service revenue during 2021. 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, 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, 2022, the carrying amount of Labette Health's bank deposits, including certificates of deposit, was $41,248,267 and the bank balances were $41,945,427. Of the bank balances, $7,234,801 was covered by federal depository insurance, $34,703,817 was covered by collateral held by third-party banks, but not registered in Labette Health's name, and $6,809 was unsecured and uncollateralized.

At December 31, 2022, the carrying amount and balances of LHEA's bank deposits, was $270,300. Of the bank balances, $250,000 was covered by federal depository insurance and $20,300 was unsecured and uncollateralized.

Note C - Deposits with Financial Institutions - Continued

At December 31, 2022, the carrying amount of the Foundation's bank deposits was $3,877,756 and the bank balances were $3,877,958. Of the bank balances, $1,000,000 was covered by federal depository insurance, $50,000 was covered by collateral held by third-party banks, and $2,827,958 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:

	2022	2021
Internally designated for capital assets		
Cash	$ 3,233,250	$ 3,229,724
Certificates of deposit	12,781,171	9,235,602
Accrued interest receivable	21,999	8,514
	$16,036,420	$12,473,840
Under indenture agreement - held by trustee		
Money market funds	$ 482,128	$ 2,229,809
By County for capital assets		
Cash	$ 1,317,477	$ 1,345,546
By contributors for capital assets		
Cash	$ -	$ 573,550
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:

	2022	2021
Internally designated for capital assets		
Cash	$ 298,700	$ 298,700
Under loan agreement		
Cash	$ 132,272	$ 106,591
By contributors for specific operating activities		
Cash	$ 3,155,322	$ 1,950,664
Certificates of deposit	291,463	290,951
Money market funds	9,543	173,999
Equity mutual funds	71,766	78,676
Fixed income mutual funds		127,912
Pledges receivable	651,573	1,186,187
	$ 4,179,667	$ 3,808,389

Note E - Investments

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

	2022	2021
Common stocks	$ 66,217	$ 69,711
Equity mutual funds	100,627	163,674
Fixed income mutual funds	104,708	
	$ 271,552	$ 233,385

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 common stocks are valued at unadjusted quoted prices for identical securities in active markets.

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

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Common stock	$ 66,217	$ -	$ -	$ 66,217
Equity and fixed income mutual funds	277,101			277,101
	$ 343,318	$ -	$ -	$ 343,318

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Common stock	$ 69,711	$ -	$ -	$ 69,711
Equity and fixed income mutual funds	370,262			370,262
	$ 439,973	$ -	$ -	$ 439,973

Note G - Capital Assets

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

	2022			
	Beginning balance	Additions	Transfers and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 949,808	$ -	$ -	$ 949,808
Construction in progress	12,882,686	5,805,319	(14,425,660)	4,262,345
Total capital assets not being depreciated	13,832,494	5,805,319	(14,425,660)	5,212,153
Capital assets being depreciated				
Buildings	60,216,229	11,102	11,033,685	71,261,016
Fixed equipment	13,952,999	26,434	2,928,538	16,907,971
Major movable equipment	23,236,907	1,340,729	(1,000,922)	23,576,714
Total capital assets being depreciated	97,406,135	1,378,265	12,961,301	111,745,701
Less accumulated depreciation				
Buildings	43,332,616	1,685,147		45,017,763
Fixed equipment	9,043,718	500,126	(14,754)	9,529,090
Major movable equipment	16,201,706	1,470,279	(1,367,426)	16,304,559
Total accumulated depreciation	68,578,040	3,655,552	(1,382,180)	70,851,412
Total capital assets being depreciated, net	28,828,095	(2,277,287)	14,343,481	40,894,289
Lease assets being amortized				
Buildings	15,397,528			15,397,528
Major movable equipment	2,375,074			2,375,074
Total lease assets being amortized	17,772,602	-	-	17,772,602
Less accumulated amortization				
Buildings	339,740	339,740		679,480
Major movable equipment	639,678	299,965		939,643
Total accumulated amortization	979,418	639,705	-	1,619,123
Total lease assets being amortized, net	16,793,184	(639,705)	-	16,153,479
Capital assets, net	$ 59,453,773	$ 2,888,327	$ (82,179)	$ 62,259,921

Note G - Capital Assets - Continued

	2021			
	Beginning balance	Additions	Transfers and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 854,786	$ -	$ 95,022	$ 949,808
Construction in progress	5,890,802	14,516,869	(7,524,985)	12,882,686
Total capital assets not being depreciated	6,745,588	14,516,869	(7,429,963)	13,832,494
Capital assets being depreciated				
Buildings	57,305,994	20,095	2,890,140	60,216,229
Fixed equipment	10,416,602	14,209	3,522,188	13,952,999
Major movable equipment	22,016,712	1,642,836	(422,641)	23,236,907
Total capital assets being depreciated	89,739,308	1,677,140	5,989,687	97,406,135
Less accumulated depreciation				
Buildings	42,025,700	1,306,916		43,332,616
Fixed equipment	8,764,341	279,377		9,043,718
Major movable equipment	16,301,003	1,321,341	(1,420,638)	16,201,706
Total accumulated depreciation	67,091,044	2,907,634	(1,420,638)	68,578,040
Total capital assets being depreciated, net	22,648,264	(1,230,494)	7,410,325	28,828,095
Lease assets being amortized				
Buildings	15,397,528			15,397,528
Major movable equipment	2,375,074			2,375,074
Total lease assets being amortized	17,772,602	-	-	17,772,602
Less accumulated amortization				
Buildings		339,740		339,740
Major movable equipment	336,852	302,826		639,678
Total accumulated amortization	336,852	642,566	-	979,418
Total lease assets being amortized, net	17,435,750	(642,566)	-	16,793,184
Capital assets, net	$ 46,829,602	$ 12,643,809	$ (19,638)	$ 59,453,773

Note G - Capital Assets - Continued

Construction in progress for Labette Health at December 31, 2022, consists primarily of costs incurred for an addition and various renovations to Labette Health's facilities and equipment purchased but not yet placed in service. At December 31, 2022, Labette Health's outstanding commitments for these projects were approximately $786,000.

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

	2022			
	Beginning balance	Additions	Transfers and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 352,832	$ 320,552	$ -	$ 673,384
Total capital assets not being depreciated	352,832	320,552	-	673,384
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	286,578	59,189		345,767
Buildings	1,342,284	268,624		1,610,908
Fixed equipment	319,734	71,142		390,876
Total accumulated depreciation	1,948,596	398,955	-	2,347,551
Total capital assets being depreciated, net	4,411,897	(398,955)		4,012,942
Capital assets, net	$ 4,764,729	$ (78,403)	$ -	$ 4,686,326

Note G - Capital Assets - Continued

	2021			
	Beginning balance	Additions	Transfers and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 352,832	$ -	$ -	$ 352,832
Total capital assets not being depreciated	352,832	-	-	352,832
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	222,613	63,965		286,578
Buildings	1,065,587	276,697		1,342,284
Fixed equipment	248,111	71,623		319,734
Total accumulated depreciation	1,536,311	412,285	-	1,948,596
Total capital assets being depreciated, net	4,824,182	(412,285)	-	4,411,897
Capital assets, net	$ 5,177,014	$ (412,285)	$ -	$ 4,764,729

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 an agreement to retain the services of a key employee. The financial assistance is 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 $610,000 at December 31, 2022.

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. The reinsurance arrangement generally covers claims totaling over $100,000 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:

	2022	2021
Estimated net health insurance claims payable at beginning of year	$ 260,030	$ 196,197
Provision for employer's share of incurred claims and related expenses for the year, net of any reinsurance proceeds	3,241,043	2,812,567
Participant contributions	1,231,619	1,297,593
Payments made for claims and related expenses	(4,348,806)	(4,046,327)
Estimated net health insurance claims payable at end of year	$ 383,886	$ 260,030

Note K - Unearned COVID-19 Revenue

Unearned revenue consists of federal financial assistance Labette Health received through the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act and subsequent legislation. Labette Health received the United States Department of Health and Human Services (HHS) provider relief funds to be used to prevent, prepare for, and respond to coronavirus and to reimburse Labette Health for health care related expenses and lost revenues as defined by HHS, that are attributable to coronavirus (COVID-19). Labette Health also received HHS rural health clinic testing funds to be used to support coronavirus testing and related expenses in the rural health clinics, and Coronavirus Relief Funds administered by the State of Kansas SPARK (Strengthening People and Revitalizing Kansas) program to respond to coronavirus. As a condition to receiving these distributions, Labette Health agreed to the terms and conditions of the funds. These funds are considered voluntary nonexchange transactions subject to eligibility requirements and are recognized as unearned revenues until such time the eligibility requirements have been satisfied. Once eligibility requirements are satisfied, the amounts are included in nonoperating revenues, COVID-19 grants, and COVID-19 grants for capital purchases. The terms and conditions of the programs are complex and are subject to interpretation and evolving guidance. As a result, there is a reasonable possibility that recorded amounts could change by a material amount in the near term.

At December 31, 2021, Labette Health's unearned COVID-19 revenue was $4,058,878, which is included in current liabilities in the statement of net position. During the years ended December 31, 2022 and 2021, Labette Health recognized $4,220,482 and $10,980,201, respectively, as COVID-19 revenue included as nonoperating activities and capital grants.

Note L - SBA PPP Loan Payable

On May 7, 2020, Labette Health was granted a $6,118,700 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. Labette Health made a principal payment on the loan during 2020, and received loan forgiveness of the remaining loan amount plus accrued loan interest on June 10, 2021, and recognized this forgiveness as nonoperating revenues.

The following is a summary of changes in Labette Health's SBA PPP loan payable:

Outstanding at January 1, 2021	$ 1,977,228
Loan forgiveness	(1,977,228)
Outstanding at December 31, 2021	$ -

Note M - Long-Term Debt

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

	2022	2021
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	$12,142,000	$12,802,000
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	6,439,856	2,070,660
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	9,489,000	9,918,000
Note payable bank obligations; interest rates from 2.35% to 5.00%; in the original loan amounts of $1,499,821 collateralized by equipment and building improvements	577,249	1,178,864
$2,800,000 line of credit, 1.95% rate at January 1, 2021, with interest only payments due monthly through March 26, 2021, renewed on March 26, 2021, at 2.2% with monthly principal and interest payments due through March 26, 2024	1,324,587	2,372,537
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
	43,552,692	41,922,061
Less current maturities	2,882,710	3,116,094
Long-term obligations, less current maturities	$40,669,982	$38,805,967

Note M - 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, 2021	$ 16,872,445	$ 21,707,000	$ 38,579,445
Obligations incurred	897,984	12,114,660	13,012,644
Debt extinguished		(7,730,000)	(7,730,000)
Principal payments	(639,028)	(1,301,000)	(1,940,028)
Outstanding at December 31, 2021	17,131,401	24,790,660	41,922,061
Obligations incurred		4,754,196	4,754,196
Principal payments	(1,649,565)	(1,474,000)	(3,123,565)
Outstanding at December 31, 2022	$ 15,481,836	$ 28,070,856	$ 43,552,692

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 2016, 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 agreement regarding the level of days cash on hand requires that those levels equal or exceed 75 days. The covenant in

Note M - Long-Term Debt - Continued

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 139 percent and 331 percent for the years ended December 31, 2022 and 2021, 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
2023	$ 1,469,000	$ 894,171	$ 2,363,171
2024	1,519,000	853,697	2,372,697
2025	1,571,000	802,287	2,373,287
2026	1,623,000	749,660	2,372,660
2027	1,676,000	695,244	2,371,244
2028 - 2032	9,266,000	2,593,302	11,859,302
2033 - 2037	8,536,856	966,163	9,503,019
2038 - 2042	2,410,000	161,650	2,571,650
	$ 28,070,856	$ 7,716,174	$ 35,787,030

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

	Principal	Interest	Total
2023	$ 1,413,710	$ 220,285	$ 1,633,995
2024	488,125	194,893	683,018
2025		191,607	191,607
2026		191,607	191,607
2027		199,058	199,058
2028 - 2032	2,463,610	876,497	3,340,107
2033 - 2037	2,643,361	696,746	3,340,107
2038 - 2042	2,836,227	503,880	3,340,107
2043 - 2047	3,043,165	296,942	3,340,107
2048 - 2051	2,593,638	78,449	2,672,087
Total minimum lease payments	$ 15,481,836	$ 3,449,964	$ 18,931,800

Note M - Long-Term Debt - Continued

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

	2022	2021
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	$ 5,035,526	$ 5,150,325
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	365,484	372,632
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	200,000	
	5,601,010	5,522,957
Less current maturities	174,939	121,947
	$ 5,426,071	$ 5,401,010

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

Outstanding at January 1, 2021	$ 5,641,984
Principal payments	(119,027)
Outstanding at December 31, 2021	5,522,957
Obligations incurred	200,000
Principal payments	(121,947)
Outstanding at December 31, 2022	$ 5,601,010

Note M - Long-Term Debt - Continued

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

	Principal	Interest	Total
2023	$ 174,939	$ 131,641	$ 306,580
2024	177,648	133,376	311,024
2025	181,138	127,886	309,024
2026	184,358	122,666	307,024
2027	137,657	117,367	255,024
2028 - 2032	740,063	535,057	1,275,120
2033 - 2037	835,997	439,123	1,275,120
2038 - 2042	944,079	331,041	1,275,120
2043 - 2047	1,066,266	208,854	1,275,120
2048 - 2052	1,158,865	70,767	1,229,632
	$ 5,601,010	$ 2,217,778	$ 7,818,788

Note N - 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, 2022 and 2021.

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

	2022	2021
Current portion of lease liabilities	$ 604,611	$ 588,114
Noncurrent portion of lease liabilities	15,806,582	16,411,193
Total lease liabilities	$16,411,193	$16,999,307

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

	2022	2021
Beginning balance at January 1,	$16,999,307	$17,571,382
Principal payments	(588,114)	(572,075)
Ending balance at December 31,	$16,411,193	$16,999,307

Note N - Leases - Continued

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

	Principal	Interest	Total
2023	$ 604,611	$ 481,145	$ 1,085,756
2024	605,899	464,243	1,070,142
2025	553,828	447,131	1,000,959
2026	239,592	436,641	676,233
2027	247,163	429,070	676,233
2028 - 2032	1,082,837	2,045,181	3,128,018
2033 - 2037	1,241,659	1,872,341	3,114,000
2038 - 2042	1,339,121	1,677,979	3,017,100
2043 - 2047	1,535,928	1,464,072	3,000,000
2048 - 2052	1,784,160	1,215,840	3,000,000
2053 - 2057	2,072,510	927,490	3,000,000
2058 - 2062	2,407,462	592,538	3,000,000
2063 - 2067	2,696,423	203,577	2,900,000
Total minimum lease payments	$16,411,193	$12,257,248	$28,668,441

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 $14,780,453 and $14,934,524 at December 31, 2022 and 2021, respectively. Income from the lease consisted of the following:

	2022	2021
Rental income	$ 154,071	$ 149,523
Investment income	445,929	450,477
	$ 600,000	$ 600,000

Note O - Interest Expense

Total interest costs of Labette Health are summarized as follows:

	2022	2021
Total interest incurred	$ 1,600,219	$ 1,623,742
Amortization of deferred outflows on advance refunding	32,163	33,866
Bond and notes payable issuance costs		176,680
Interest expense	$ 1,632,382	$ 1,834,288

Total interest expense for the discretely presented component units for December 31, 2022 and 2021, was $133,077 and $135,997, respectively.

Note P - 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 5 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 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 10 years of continuous service.

For the years ended December 31, 2022 and 2021, Labette Health and covered employees made contributions to the plan as follows:

	2022	2021
Employer contributions	$ 560,400	$ 539,400
Employee contributions	489,431	501,025
	$ 1,049,831	$ 1,040,425

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. For the years ended December 31, 2022 and 2021, Labette Health and covered employees made contributions to these plans as follows:

	2022	2021
Employer contributions	$ 570,615	$ 745,867
Employee contributions	221,834	205,194
	$ 792,449	$ 951,061

Note Q - 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, 2022 and 2021, is as follows:

	2022	2021
Medicare	24.8 %	22.9 %
Medicaid	10.5	11.0
Blue Cross	11.3	16.2
Other insurers	28.8	25.8
Patients	24.6	24.1
	100.0 %	100.0 %

Note R - Condensed Financial Information

The following is condensed combined financial data for Labette Health and its blended component unit LHEA as of December 31, 2022 and 2021, and for the years then ended:

	December 31, 2022			
	Labette Health	LHEA	Eliminations	Total
Current assets	$ 40,618,633	$ -	$ -	$ 40,618,633
Noncurrent cash and investments	17,393,294	270,300		17,663,594
Capital assets, net	54,642,520	20,603,665	(12,986,264)	62,259,921
Leverage loan receivable	9,959,600			9,959,600
Noncurrent portion of lease receivables		13,583,677	(13,583,677)	
Other assets	1,098,725			1,098,725
Total assets	123,712,772	34,457,642	(26,569,941)	131,600,473
Deferred outflows of resources	232,360			232,360
Total assets and deferred outflows of resources	$ 123,945,132	$ 34,457,642	$ (26,569,941)	$ 131,832,833
Current liabilities	$ 16,041,962	$ -	$ -	$ 16,041,962
Long-term debt	27,089,982	13,580,000		40,669,982
Lease liabilities, noncurrent portion	29,390,259		(13,583,677)	15,806,582
Total liabilities	72,522,203	13,580,000	(13,583,677)	72,518,526
Deferred inflows of resources		13,582,991	(13,582,991)	
Total net position	51,422,929	7,294,651	596,727	59,314,307
Total liabilities, deferred inflows, and net position	$ 123,945,132	$ 34,457,642	$ (26,569,941)	$ 131,832,833

Note R - Condensed Financial Information - Continued

	December 31, 2021			
	Labette Health	LHEA	Eliminations	Total
Current assets	$ 44,472,782	$ -	$ -	$ 44,472,782
Noncurrent cash and investments	16,399,461	270,300		16,669,761
Capital assets, net	56,296,662	16,591,177	(13,434,066)	59,453,773
Leverage loan receivable	9,959,600			9,959,600
Noncurrent portion of lease receivables		13,583,402	(13,583,402)	
Other assets	1,301,534			1,301,534
Total assets	128,430,039	30,444,879	(27,017,468)	131,857,450
Deferred outflows of resources	264,523			264,523
Total assets and deferred outflows of resources	$ 128,694,562	$ 30,444,879	$ (27,017,468)	$ 132,121,973
Current liabilities	$ 19,638,276	$ -	$ -	$ 19,638,276
Long-term debt	25,225,967	13,580,000		38,805,967
Other long-term liabilities	29,994,595		(13,583,402)	16,411,193
Total liabilities	74,858,838	13,580,000	(13,583,402)	74,855,436
Deferred inflows of resources		13,583,266	(13,583,266)	
Total net position	53,835,724	3,281,613	149,200	57,266,537
Total liabilities and net position	$ 128,694,562	$ 30,444,879	$ (27,017,468)	$ 132,121,973

Note R - Condensed Financial Information - Continued

	December 31, 2022			
	Labette Health	LHEA	Eliminations	Total
Net patient service revenue	$ 80,580,003	$ -	$ -	$ 80,580,003
Other operating revenues	8,165,876			8,165,876
Total operating revenues	88,745,879	-	-	88,745,879
Salaries and wages	42,326,761			42,326,761
Employee benefits	7,492,458			7,492,458
Supplies and other expenses	36,611,803	35,938		36,647,741
Depreciation and amortization	4,741,531		(447,802)	4,293,729
Total operating expenses	91,172,553	35,938	(447,802)	90,760,689
Operating loss	(2,426,674)	(35,938)	447,802	(2,014,810)
Nonoperating revenues (expenses)	3,070,150	550	(275)	3,070,425
Transfers between Hospital and component unit	(4,048,426)	4,048,426		
Capital grant, contributions, and sales tax revenue for capital purchases	992,155			992,155
Change in net position	(2,412,795)	4,013,038	447,527	2,047,770
Net position beginning of year, as restated	53,835,724	3,281,613	149,200	57,266,537
Net position end of year	$ 51,422,929	$ 7,294,651	$ 596,727	$ 59,314,307

	December 31, 2021			
	Labette Health	LHEA	Eliminations	Total
Net patient service revenue	$ 77,970,138	$ -	$ -	$ 77,970,138
Other operating revenues	7,527,324			7,527,324
Total operating revenues	85,497,462	-	-	85,497,462
Salaries and wages	40,876,391			40,876,391
Employee benefits	7,074,529			7,074,529
Supplies and other expenses	36,185,479	40,500		36,225,979
Depreciation and amortization	3,699,468		(149,268)	3,550,200
Total operating expenses	87,835,867	40,500	(149,268)	87,727,099
Operating loss	(2,338,405)	(40,500)	149,268	(2,229,637)
Nonoperating revenues (expenses)	8,091,566	(143,569)	(68)	7,947,929
Transfers between Hospital and component unit	(4,288,960)	4,288,960		
Capital grant, contributions, and sales tax revenue for capital purchases	5,693,938			5,693,938
Change in net position	7,158,139	4,104,891	149,200	11,412,230
Net position beginning of year	46,677,585	(823,278)		45,854,307
Net position end of year, as restated	$ 53,835,724	$ 3,281,613	$ 149,200	$ 57,266,537

Note R - Condensed Financial Information - Continued

	December 31, 2022			
	Labette Health	LHEA	Eliminations	Total
Cash flows from operating activities				
Receipts from and on behalf of patients	$ 80,366,316	$ -	$ -	$ 80,366,316
Payments to or on behalf of employees	(50,060,052)			(50,060,052)
Payments for supplies and services	(35,996,962)	(35,938)		(36,032,900)
Other receipts and payments	7,594,338			7,594,338
Net cash provided (used) by operating activities	1,903,640	(35,938)	-	1,867,702
Cash flows from noncapital and related financing activities				
COVID-19 grants received	129,854			129,854
Transfer	(35,938)	35,938		
Other noncapital financing activities	1,136,094	(275)	275	1,136,094
Net cash provided by capital and related financing activities	1,230,010	35,663	275	1,265,948
Cash flows from capital and related financing activities				
Acquisition of capital assets	(6,720,050)			(6,720,050)
Proceeds from bonds/notes payable	4,754,196			4,754,196
Principal payments long-term debt & lease liabilities	(3,711,404)		(275)	(3,711,679)
Payment of issuance costs and interest	(1,525,919)	(191,607)	191,882	(1,525,644)
COVID-19 capital grants received	31,750			31,750
Other capital financing activities	175,544			175,544
Net cash used by capital and related financing activities	(6,995,883)	(191,607)	191,607	(6,995,883)
Cash flows from investing activities				
Changes in				
Assets held by trustee	1,747,681			1,747,681
Investment income received	265,484	191,882	(191,882)	265,484
Net cash provided by investing activities	2,013,165	191,882	(191,882)	2,013,165
Net change in cash and cash equivalents	(1,849,068)	-	-	(1,849,068)
Cash and cash equivalents at beginning of year	43,097,735	270,300		43,368,035
Cash and cash equivalents at end of year	$ 41,248,667	$ 270,300	$ -	$ 41,518,967
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	$ 23,916,769	$ -	$ -	$ 23,916,769
Cash included in assets limited as to use				
Internally designated for capital assets	16,014,421			16,014,421
By County for capital assets	1,317,477			1,317,477
Under indenture of loan agreement		270,300		270,300
Total cash and cash equivalents	$ 41,248,667	$ 270,300	$ -	$ 41,518,967

Note R - Condensed Financial Information - Continued

	December 31, 2021			
	Labette Health	LHEA	Eliminations	Total
Cash flows from operating activities				
Receipts from and on behalf of patients	$ 76,657,273	$ -	$ -	$ 76,657,273
Payments to or on behalf of employees	(47,884,334)			(47,884,334)
Payments for supplies and services	(37,220,503)	(172,554)		(37,393,057)
Other receipts and payments	9,605,131			9,605,131
Net cash provided (used) by operating activities	1,157,567	(172,554)	-	985,013
Cash flows from noncapital and related financing activities				
COVID-19 grants received	1,731,437			1,731,437
Transfer	(7,000)	7,000		
Other noncapital financing activities	1,681,519	(68)	68	1,681,519
Net cash provided by capital and related financing activities	3,405,956	6,932	68	3,412,956
Cash flows from capital and related financing activities				
Acquisition of capital assets	(6,943,441)	(11,311,879)		(18,255,320)
Proceeds from bonds/notes payable	13,012,643			13,012,643
Principal payments long-term obligations	(2,512,035)		(68)	(2,512,103)
Payment to extinguish long-term obligations	(7,730,000)			(7,730,000)
Payment of issuance costs and interest	(1,618,246)	(191,607)	47,970	(1,761,883)
COVID-19 capital grants received	3,359,488			3,359,488
Other capital financing activities	638,309			638,309
Net cash used by capital and related financing activities	(1,793,282)	(11,503,486)	47,902	(13,248,866)
Cash flows from investing activities				
Changes in				
Assets held by trustee	(1,975,446)			(1,975,446)
Investment income received	228,540	47,970	(47,970)	228,540
Net cash provided (used) by investing activities	(1,746,906)	47,970	(47,970)	(1,746,906)
Net change in cash and cash equivalents	1,023,335	(11,621,138)	-	(10,597,803)
Cash and cash equivalents at beginning of year	42,074,400	11,891,438		53,965,838
Cash and cash equivalents at end of year	$ 43,097,735	$ 270,300	$ -	$ 43,368,035
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	$ 28,713,313	$ -	$ -	$ 28,713,313
Cash included in assets limited as to use				
Internally designated for capital assets	12,465,326			12,465,326
By County for capital assets	1,345,546			1,345,546
By contributors for capital assets	573,550			573,550
By contributors for capital assets		270,300		270,300
Total cash and cash equivalents	$ 43,097,735	$ 270,300	$ -	$ 43,368,035

Note R - Condensed Financial Information - Continued

The following is condensed financial data for the discretely presented component units of Labette Health as of December 31, 2022 and 2021, and for the years then ended. The Foundation is a major component unit due to the considerable financial benefit it provides to Labette Health.

	2022		2021	
	Major component unit	Nonmajor component units	Major component unit	Nonmajor component units
Cash and cash equivalents	$ -	$ 2,671	$ -	$ 2,671
Investments	271,552		233,385	
Other receivables	193		371	
Lease receivable	158,758		154,071	
Pledges receivable	13,216		17,709	
Total current assets	443,719	2,671	405,536	2,671
Assets limited as to use	4,610,639		4,213,680	
Capital assets, net	4,164,389	521,937	4,544,766	219,963
Lease receivable less current portion	14,621,695		14,780,453	
Other assets	117,111		141,299	
Total assets	$ 23,957,553	$ 524,608	$ 24,085,734	$ 222,634
Current portion of long-term obligations	$ 124,939	$ 50,000	$ 121,947	$ -
Due to Labette Health		242,765		172,348
Total current liabilities	124,939	292,765	121,947	172,348
Long-term obligations, less current maturities	5,276,071	150,000	5,401,010	
Total liabilities	5,401,010	442,765	5,522,957	172,348
Deferred inflows of resources	14,780,453		14,934,524	
Net position				
Net investment in capital assets	(1,236,621)	79,172	(978,191)	75,587
Restricted				
For debt service	132,272		106,591	
Expendable for specific Labette Health operating activities	4,179,667		3,808,389	
Unrestricted	700,772	2,671	691,464	(25,301)
Total net position	3,776,090	81,843	3,628,253	50,286
Total liabilities, deferred inflows of resources, and net position	$ 23,957,553	$ 524,608	$ 24,085,734	$ 222,634

Note R- Condensed Financial Information - Continued

	2022		2021	
	Major component unit	Nonmajor component units	Major component unit	Nonmajor component units
Rental revenue from Labette Health	$ 154,071	$ 52,567	$ 149,523	$ 52,567
Other operating revenues	546,440		1,700,696	
Total operating revenues	700,511	52,567	1,850,219	52,567
Supplies and other expenses	382,314	2,432	777,648	1,300
Depreciation and amortization	380,377	18,578	393,708	18,577
Total operating expenses	762,691	21,010	1,171,356	19,877
Operating income (loss)	(62,180)	31,557	678,863	32,690
Nonoperating revenues (expenses)	210,017		380,086	
Change in net position	147,837	31,557	1,058,949	32,690
Net position beginning of year	3,628,253	50,286	2,569,304	17,596
Net position end of year	$ 3,776,090	$ 81,843	$ 3,628,253	$ 50,286

Note R - Condensed Financial Information - Continued

	2022		2021	
	Major component unit	Nonmajor component units	Major component unit	Nonmajor component units
Cash flows from operating activities				
Payments for supplies and services	$ (382,314)	$ (52,567)	$ (780,101)	$ (52,567)
Other receipts and payments	1,239,618	52,567	1,852,767	52,567
Net cash provided by operating activities	857,304	-	1,072,666	-
Cash flows from capital and related financing activities				
Acquisition of capital assets		(200,000)		
Proceeds from note payable		200,000		
Repayments of long-term obligations	(121,947)		(119,027)	
Interest paid	(133,077)		(135,997)	
Net cash used by capital and related financing activities	(255,024)	-	(255,024)	-
Cash flows from investing activities				
Changes in				
Investments	170,045		(224,582)	
Investment income received	458,526		487,197	
Net cash provided by investing activities	628,571	-	262,615	-
Net change in cash and cash equivalents	1,230,851		1,080,257	
Cash and cash equivalents at beginning of year	2,646,906	2,671	1,566,649	2,671
Cash and cash equivalents at end of year	$ 3,877,757	$ 2,671	$ 2,646,906	$ 2,671
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	$ -	$ 2,671	$ -	$ 2,671
Cash included in assets limited as to use				
Internally designated for capital assets	298,700		298,700	
Under loan agreement	132,272		106,591	
For specific operating activities	3,446,785		2,241,615	
Total cash and cash equivalents	$ 3,877,757	$ 2,671	$ 2,646,906	$ 2,671

Note S - Risks and Uncertainties

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. During 2022 and 2021, the COVID-19 pandemic continued to impact national and global economies and Labette Health's operations. The impact on future operations is driven by numerous factors, which are beyond management's control and management's ability to forecast the total impact on operations. As of the date of issuance of these financial statements, the current and future impact to Labette Health or length of time of the impact is unknown.

The CARES Act and subsequent legislation enacted by the federal government has provided funding during these uncertain times. See Note K pertaining to COVID-19 grant funds and Note L regarding the SBA PPP loan.

Note T - Risk Management

For the years ended December 31, 2022 and 2021, 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 in 2022 and $200,000 in 2021, per occurrence up to an annual aggregate of $1,500,000 in 2022 and $600,000 in 2021, 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 in 2022 and $300,000 in 2021, 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 in 2022 and $900,000 in 2021. 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, 2023, for the policy period from January 1, 2023 to January 1, 2024.

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 $320,623 and $756,135 from the Foundation during 2022 and 2021, respectively. Labette Health incurred $154,357 and $119,559 in salary, employee benefits, and professional fees on behalf of the Foundation during 2022 and 2021, respectively. Labette Health paid rent to the Foundation totaling $600,000 during 2022 and 2021.

Labette Health paid rent to LHRP totaling $52,567 during 2022 and 2021.

A member of Labette Health's board of trustees is an executive officer of a local bank. At December 31, 2022, Labette Health had approximately $2,411,000 of deposits with this bank in addition to outstanding equipment finance purchase agreements of approximately $308,000.

Note V - Related Party Transactions - Continued

A member of LHEA's board of directors is the president of another local bank. At December 31, 2022, Labette Health had approximately $6,950,000 of deposits with this bank in addition to an outstanding note payable of approximately $48,000.

Labette Health paid a local vendor whose owner is a member of Labette Health's board of trustees approximately $495,000 during the year ended December 31, 2022, for supplies and capital assets.

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 $172,732 during 2022 and by $102,146 during 2021. The County has restricted these amounts to use for future capital acquisitions for ambulance services.

Note X - Adoption of New Accounting Standard

Labette Health and the discretely presented component units adopted GASB Statement No. 87, *Leases* (GASB 87) based on the facts and circumstances as of January 1, 2021. The following changes were made to the 2021 amounts in adoption of GASB 87.

	Amount as previously reported	Adoption of accounting standard	Amount as restated
Labette Health			
Statement of Net Position			
Assets			
Capital assets, net	$ 44,395,985	$ 15,057,788	$ 59,453,773
Total assets	116,799,662	15,057,788	131,857,450
Total assets and deferred outflows of resources	117,064,185	15,057,788	132,121,973
Liabilities			
Current maturities of long-term debt	3,536,142	(420,048)	3,116,094
Current maturities of lease liabilities		588,114	588,114
Total current liabilities	19,470,210	168,066	19,638,276
Long-term debt less current maturities	40,150,802	(1,344,835)	38,805,967
Lease liabilities less current maturities		16,411,193	16,411,193
Total long-term liabilities	40,150,802	15,066,358	55,217,160
Total liabilities	59,621,012	15,234,424	74,855,436
Net position			
Net investment in capital assets	7,432,698	(762,641)	6,670,057
Unrestricted	47,821,079	586,005	48,407,084
Total net position	57,443,173	(176,636)	57,266,537
Total liabilities, deferred inflows of resources and net position	117,064,185	15,057,788	132,121,973

Note X - Adoption of New Accounting Standard - Continued

	Amount as previously reported	Adoption of accounting standard	Amount as restated
Labette Health			
Statements of Revenues, Expenses, and Changes in Net Position			
Operating expenses			
Supplies and other	$ 36,848,779	$ (622,800)	$ 36,225,979
Depreciation and amortization	3,210,460	339,740	3,550,200
Total operating expenses	88,010,159	(283,060)	87,727,099
Operating income (loss)	(2,512,697)	283,060	(2,229,637)
Nonoperating revenues (expenses)			
Interest expense	(1,374,592)	(459,696)	(1,834,288)
Total nonoperating revenues (expenses)	8,407,625	(459,696)	7,947,929
Excess of revenues over expense before capital items	5,894,928	(176,636)	5,718,292
Change in net position	11,588,866	(176,636)	11,412,230
Statement of Cash Flows			
Cash flows from operating activities			
Payments for supplies and services	(38,015,857)	622,800	(37,393,057)
Net cash provided by operating activities	362,213	622,800	985,013
Cash flows from capital and related financing activities			
Principal payments on long-term debt	(2,348,999)	408,971	(1,940,028)
Principal payments on lease liabilities		(572,075)	(572,075)
Interest paid	(1,125,507)	(459,696)	(1,585,203)
Net cash used by capital and related financing activities	(12,626,066)	(622,800)	(13,248,866)
Component units			
Statement of Net Position			
Assets			
Lease receivable, current portion	-	154,071	154,071
Total current assets	254,136	154,071	408,207
Lease receivable, noncurrent portion		14,780,453	14,780,453
Total assets	9,373,844	14,934,524	24,308,368
Deferred inflows of resources			
Deferred inflows of resources arising from leases		14,934,524	14,934,524
Total liabilities, deferred inflows of resources and net position	9,373,844	14,934,524	24,308,368
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenue			
Other operating revenue	2,353,263	(450,477)	1,902,786
Total operating revenue	2,353,263	(450,477)	1,902,786
Operating income (loss)	1,162,030	(450,477)	711,553
Nonoperating revenues (expenses)			
Investment income	42,091	450,477	492,568
Total nonoperating revenues (expenses)	(70,391)	450,477	380,086

Note Y - Subsequent Events

In May 2023, SEKRH purchased a building for $250,000 to be used for future clinic space.

Supplementary Information

Labette County Medical Center
d/b/a Labette Health
Schedule of Expenditures of Federal Awards
Year ended December 31, 2022

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				
Summer Food Service Program for Children	10.559	N/A	$ -	$ 34,899
Total United States Department of Agriculture			-	34,899
U.S. Department of Health and Human Services				
COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	N/A		3,327,111
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697	N/A		721,036
Rural Health Clinic Vaccine Confidence Program	93.912	N/A		161,604
Total U.S. Department of Health and Human Services			-	4,209,751
Total federal awards			$ -	$ 4,244,650

The accompanying notes are an integral part of this Schedule.

Labette County Medical Center
d/b/a Labette Health
Notes to the Schedule of Expenditures of Federal Awards
Year ended December 31, 2022

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 d/b/a Labette Health under programs of the federal government, for the year ended December 31, 2022. 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 Labette Health, it is not intended to and does not present the financial position, changes in net position, or cash flows of Labette Health.

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 continued 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 the 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
Stephanie D. Kennedy, 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 Medical Center
d/b/a 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 Medical Center d/b/a Labette Health and the financial statements of Labette Health Foundation, Inc., a component of the aggregate discretely presented component units, as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2023. The financial statements of Labette Health Regional Partnerships, Inc. (LHRP), and Southeast Kansas Regional Health, Inc. (SEKRH), components of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with LHRP or SEKRH.

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 the 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the 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
July 25, 2023

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
Stephanie D. Kennedy, CPA

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
d/b/a Labette Health

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Labette County Medical Center d/b/a Labette Health's 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, 2022. 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.

Labette Health's financial statements include Labette Health Foundation, Inc. (the Foundation), as a component of the aggregate discretely presented component units. The Foundation expended $5,522,957 in federal awards which is not included in Labette Health's Schedule of Expenditures of Federal Awards during the year ended December 31, 2022. Our audit, described below, did not include the activity of the Foundation because a separate compliance audit in accordance with Uniform Guidance was issued for the Foundation.

In our opinion, Labette County Medical Center d/b/a 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, 2022.

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; and 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.

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 Labette Health's federal programs.

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

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

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. 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 : Johnsen LLC

Topeka Kansas
July 25, 2023

Labette County Medical Center
d/b/a Labette Health
Schedule of Findings and Questioned Costs
Year ended December 31, 2022

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
93.498	Provider Relief Fund and American Rescue Plan Rural Distribution

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