Wichita County Health Center

A Component Unit of Wichita County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Wichita County Health Center
Leoti, Kansas

Opinion

We have audited the financial statements of Wichita County Health Center, a component unit of Wichita County, Kansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Wichita County Health Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Wichita County Health Center as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in *Note 13* to the financial statements, during the year ended December 31, 2023, Wichita County Health Center adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wichita County Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wichita County Health Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

FORVIS, LLP

Wichita, Kansas
May 21, 2024

Wichita County Health Center
A Component Unit of Wichita County, Kansas
Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		*(As Restated)*
Current Assets		
Cash and cash equivalents	$ 857,417	$ 1,711,894
Certificates of deposit	150,000	-
Patient accounts receivable, net of allowance; 2023 – $30,152; 2022 – $86,932	1,069,944	2,274,638
Estimated amounts due from third-party payers	972,484	17,975
Other receivables	75,556	261,114
Supplies	230,333	231,386
Prepaid expenses and other	180,696	207,824
Total current assets	3,536,430	4,704,831
Internally Designated for Debt Service	84,893	84,811
Capital Assets, Net	2,750,133	2,633,036
Subscription Asset, Net	443,317	723,306
Total assets	$ 6,814,773	$ 8,145,984
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 30,839	$ 61,874
Current maturities of subscription liability	287,766	276,543
Accounts payable	678,502	576,919
Accrued expenses	637,647	625,684
Unearned revenue	-	150,635
Estimated amounts due to third-party payers	-	1,014,000
Total current liabilities	1,634,754	2,705,655
Long-term Debt	615,887	646,726
Subscription Liability	173,227	460,993
Total liabilities	2,423,868	3,813,374
Net Position		
Net investment in capital assets	2,085,731	1,910,206
Unrestricted	2,305,174	2,422,404
Total net position	4,390,905	4,332,610
Total liabilities and net position	$ 6,814,773	$ 8,145,984

Wichita County Health Center
A Component Unit of Wichita County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts, 2023 – $68,207; 2022 – $281,076	$ 9,752,276	$ 8,766,351
Other	498,199	314,252
Total operating revenues	10,250,475	9,080,603
Operating Expenses		
Salaries and wages	5,024,468	4,800,912
Employee benefits	1,200,923	1,124,413
Purchased services and professional fees	2,952,715	2,562,865
Supplies and other	2,152,878	2,079,089
Depreciation	341,601	369,337
Amortization	279,989	279,989
Total operating expenses	11,952,574	11,216,605
Operating Loss	(1,702,099)	(2,136,002)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Wichita County	1,550,306	1,482,672
Noncapital grants and gifts	23,315	314,196
Reimbursement from County	7,756	13,647
Interest income	34,637	15,239
Interest expense	(47,947)	(61,397)
Insurance recoveries on capital assets	48,894	175,858
Provider Relief Funds (*CARES Act*)	150,635	214,413
Gain (loss) on sale of assets	(7,202)	10,822
Total nonoperating revenues	1,760,394	2,165,450
Increase in Net Position	58,295	29,448
Net Position, Beginning of Year	4,332,610	4,303,162
Net Position, End of Year	$ 4,390,905	$ 4,332,610

Wichita County Health Center
A Component Unit of Wichita County, Kansas
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 8,988,461	$ 7,638,144
Payments to suppliers	(6,175,413)	(5,659,335)
Payments to employees	(5,012,505)	(4,758,643)
Other receipts, net	560,250	248,223
Net cash used in operating activities	(1,639,207)	(2,531,611)
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Wichita County	1,550,306	1,482,672
Noncapital grants and gifts	23,315	314,196
Reimbursement from County	7,756	13,647
Provider Relief Funds (*CARES Act*)	150,635	214,413
Net cash provided by noncapital financing activities	1,732,012	2,024,928
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(61,874)	(104,676)
Interest paid on notes payable to bank and long-term debt	(24,490)	(27,156)
Insurance recoveries on capital assets	48,894	175,858
Proceeds from disposal of capital assets	-	18,123
Purchases of capital assets	(494,367)	(579,876)
Principal paid on subscription liability	(276,543)	(265,759)
Interest paid on subscription liability	(23,457)	(34,241)
Net cash used in capital and related financing activities	(831,837)	(817,727)
Cash Flows From Investing Activities		
Purchases of certificates of deposit	(150,000)	-
Interest income	34,637	15,239
Net cash provided by (used in) investing activities	(115,363)	15,239
Decrease in Cash	(854,395)	(1,309,171)
Cash, Beginning of Year	1,796,705	3,105,876
Cash, End of Year	$ 942,310	$ 1,796,705

Wichita County Health Center
A Component Unit of Wichita County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 857,417	$ 1,711,894
Internally designated for debt service	84,893	84,811
Total cash	$ 942,310	$ 1,796,705
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (1,702,099)	$ (2,136,002)
Depreciation	341,601	369,337
Amortization	279,989	279,989
Provision for uncollectible accounts	68,207	281,076
Changes in operating assets and liabilities		
Patient accounts receivable, net	1,136,487	(1,574,114)
Estimated amounts due from and to third-party payers	(1,968,509)	164,831
Other receivables	185,558	(187,833)
Supplies	1,053	2,403
Prepaid expenses and other	27,128	71,169
Accounts payable and accrued expenses	142,013	146,898
Unearned revenue	(150,635)	50,635
Net cash used in operating activities	$ (1,639,207)	$ (2,531,611)
Noncash Investing, Capital and Financing Activities		
Capital asset additions included in accounts payable	$ -	$ 28,467

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

Nature of Operations and Reporting Entity

Wichita County Health Center (Health Center) is an acute care hospital located in Leoti, Kansas. The Health Center is considered a component unit of Wichita County. The Health Center is governed by an elected Board of Trustees. The Health Center primarily earns revenues by providing inpatient, outpatient and emergency care services. The Health Center also provides long-term care and clinic services. The long-term care facility is doing business as Golden Acres.

Basis of Accounting and Presentation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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 those estimates.

Cash Equivalents

The Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents.

Certificates of Deposit

The certificates of deposit are measured at amortized cost. Original maturities of the certificates of deposit are all less than 12 months.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

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

Land improvements	20 years
Buildings	10-50 years
Fixed equipment	10-20 years
Moveable equipment	5-20 years

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at, and certain prepayments made before, the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital and Subscription Asset Impairment

The Health Center evaluates capital and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Noncapital Appropriations – Wichita County

The Health Center received approximately 14% and 13% of its 2023 and 2022, respectively, financial support from noncapital appropriations from Wichita County property tax levy and special sales tax support.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from noncapital appropriations – Wichita County is recognized in full in the year in which use is first permitted.

Compensated Absences

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

Risk Management

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

Workers' compensation coverage is provided through a fund managed by the Kansas Health Center Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

Net Position

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

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

Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. Patient service revenue is recorded at established rates with contractual adjustments, charity care and other adjustments deducted to arrive at net patient service revenue before the provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

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

Income Taxes

As an essential government function of the County, the Health Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Health Center is subject to federal income tax on any unrelated business taxable income.

Provider Relief Funds (CARES Act)

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds are not subject to repayment, provided the Health Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS. The Health Center is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Note 2. Deposits

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

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

At December 31, 2023 and 2022, respectively, $907,966 and $1,931,763 of the Health Center's bank balances of $1,007,965 and $2,181,763 were exposed to custodial credit risk as follows:

	2023	2022
Collateral held by pledging financial institution's trust department or agent in other than the Health Center's name	$ 907,966	$ 1,931,763

Sum of Carrying Values

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

	2023	2022
Carrying value		
Deposits	$ 1,007,417	$ 1,711,894
Included in the following balance sheet captions		
Cash	$ 857,417	$ 1,711,894
Certificates of deposit	150,000	-
	$ 1,007,417	$ 1,711,894

Note 3. Patient Accounts Receivable

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

	2023	2022
Medicare	$ 740,924	$ 1,985,799
Medicaid	62,560	33,708
Other third-party payers	78,560	121,566
Self-pay	218,052	220,497
	1,100,096	2,361,570
Less allowance for uncollectible accounts	(30,152)	(86,932)
	$ 1,069,944	$ 2,274,638

Note 4. Professional Liability Coverage and Claims

The Health Center purchases professional liability insurance under a claims-made policy with a fixed premium which provides $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy years ending December 31, 2023 and 2022. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy years ending December 31, 2023 and 2022.

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

Note 5. Capital and Subscription Assets

Capital assets activity for the years ended December 31 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 11,400	$ -	$ -	$ -	$ 11,400
Land improvements	186,031	-	-	-	186,031
Buildings	4,762,351	212,964	(299,787)	-	4,675,528
Fixed equipment	1,682,000	182,040	(116,116)	-	1,747,924
Major moveable equipment	2,622,432	70,896	(64,400)	161,723	2,790,651
Construction in progress	161,723	-	-	(161,723)	-
	9,425,937	465,900	(480,303)	-	9,411,534
Less accumulated depreciation					
Land improvements	184,659	687	-	-	185,346
Buildings	3,588,448	112,997	(292,585)	-	3,408,860
Fixed equipment	1,314,698	47,736	(116,116)	-	1,246,318
Major moveable equipment	1,705,096	180,181	(64,400)	-	1,820,877
	6,792,901	341,601	(473,101)	-	6,661,401
Capital Assets, Net	$ 2,633,036	$ 124,299	$ (7,202)	$ -	$ 2,750,133

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 7,950	$ 3,450	$ -	$ -	$ 11,400
Land improvements	186,031	-	-	-	186,031
Buildings	4,569,038	201,113	(7,800)	-	4,762,351
Fixed equipment	1,693,122	19,339	(30,461)	-	1,682,000
Major moveable equipment	2,411,528	222,718	(11,814)	-	2,622,432
Construction in progress	-	161,723	-	-	161,723
	8,867,669	608,343	(50,075)	-	9,425,937
Less accumulated depreciation					
Land improvements	183,972	687	-	-	184,659
Buildings	3,473,572	119,881	(5,005)	-	3,588,448
Fixed equipment	1,305,841	39,318	(30,461)	-	1,314,698
Major moveable equipment	1,502,953	209,451	(7,308)	-	1,705,096
	6,466,338	369,337	(42,774)	-	6,792,901
Capital Assets, Net	$ 2,401,331	$ 239,006	$ (7,301)	$ -	$ 2,633,036

Subscription assets activity for the years ended December 31 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,003,295	$ -	$ -	$ -	$ 1,003,295
Less accumulated amortization Subscription IT assets	279,989	279,989	-	-	559,978
Subscription Assets, Net	$ 723,306	$ (279,989)	$ -	$ -	$ 443,317

	2022 - *As Restated*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,003,295	$ -	$ -	$ -	$ 1,003,295
Less accumulated amortization Subscription IT assets	-	279,989	-	-	279,989
Subscription Assets, Net	$ 1,003,295	$ (279,989)	$ -	$ -	$ 723,306

Note 6. Long-term Obligations

The following is a summary of long-term obligation transactions for the Health Center for the years ended December 31:

	2023					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Note payable to bank	$ 32,078	$ -	$ 32,078	$ -	$ -	$ -
Revenue bonds payable Series 2019	676,522	-	29,796	646,726	30,839	615,887
Subscription liabilities	737,536	-	276,543	460,993	287,766	173,227
	$ 1,446,136	$ -	$ 338,417	$ 1,107,719	$ 318,605	$ 789,114

	2022 - *As Restated*					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Note payable to bank	$ 41,187	$ -	$ 9,109	$ 32,078	$ 32,078	$ -
Revenue bonds payable Series 2019	705,310	-	28,788	676,522	29,796	646,726
Subscription liabilities	1,003,295	-	265,759	737,536	276,543	460,993
Financed purchase obligations	66,779	-	66,779	-	-	-
	$ 1,816,571	$ -	$ 370,435	$ 1,446,136	$ 338,417	$ 1,107,719

Hospital Revenue Bonds – Series 2019

The Series 2019 Hospital Revenue Bonds payable consist of bonds in the original amount of $760,000 dated July 24, 2019, which bear interest at 3.50%. The bonds are payable in annual installments through July 24, 2039. The bonds are secured by the net revenues of the Health Center. Proceeds from the issuance of these bonds were used to pay project costs related to capital expenditures.

The debt service requirements on the Hospital Revenue Bonds as of December 31, 2023, are as follows:

Year Ending December 31,	Total to be Paid	Bonds	
		Principal	Interest
2024	$ 53,474	$ 30,839	$ 22,635
2025	53,474	31,918	21,556
2026	53,474	33,036	20,438
2027	53,474	34,192	19,282
2028	53,474	35,388	18,086
2029-2033	267,372	196,411	70,961
2034-2038	267,371	233,275	34,096
2039	53,477	51,667	1,810
	$ 855,590	$ 646,726	$ 208,864

Subscription Liabilities

The Hospital has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2025. The subscription requires monthly payments of approximately $25,000.

The following is a schedule by year of payments under the SBITAs as of December 31, 2023:

Year Ending December 31,	Total to be Paid	Principal	Interest
2024	$ 300,000	$ 287,766	$ 12,234
2025	175,000	173,227	1,773
	$ 475,000	$ 460,993	$ 14,007

Note Payable to Bank

The Health Center had a note payable to bank originally due February 15, 2026, with principal payable monthly and interest at prime plus 2% payable monthly. The Health Center paid the remaining balance in full on the note during 2023.

Financed Purchase Obligations

Financed purchase obligations are in the form of notes payable to vendors at various interest rates. Principal and interest is payable monthly. The notes are secured by the related capital assets as collateral. The Health Center paid the remaining balance in full on these obligations during 2022.

Note 7. Net Patient Service Revenue

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

Medicare. The Health Center is licensed as a critical access hospital (CAH), and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. The Health Center is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the Health Center and audit thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future. Services rendered for long-term care facility residents are reimbursed at a prospective rate, with annual cost reports submitted to the Medicaid program. Rates are computed using an average of the three most recent filed calendar cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 88% and 89% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 8. Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $6,000 and $44,000 for 2023 and 2022, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 9. 340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues related to the 340B Program of $426,552 and $241,041 for the years ending December 31, 2023 and 2022, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Health Center recorded expenses related to the 340B Program of $240,591 and $258,478 for the years ending December 31, 2023 and 2022, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. The 340B Program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 10. Pension Plans

The Health Center maintains a defined contribution plan (401(a) plan) for all eligible employees. Eligibility is established for all employees who have completed one year of service and are at least 21 years of age and have been paid for 1,000 hours of service for the year. Employer contributions are computed at the rate of 4.5% of annual compensation for eligible employees. Benefits are funded by a money purchase annuity with an insurance company. The plan is funded for past service on an installment basis over the remaining duration of employment from the effective date of the plan to the employee's normal retirement date. Benefits start vesting immediately with 100% vesting after six years of service. In case of death or disability, all funds contributed by the Health Center are 100% vested. In the case of termination of an employee prior to retirement, all funds contributed by the Health Center which are not vested will be returned to the Health Center. Contributions actually made by plan members and the Health Center aggregated $123,380 and $181,462 during 2023 and $125,888 and $170,835 during 2022, respectively. The Health Center does not control the plan assets.

The Health Center provides one additional defined contribution plan (457 plan). Contributions made by plan members totaled $65,646 and $64,131 during 2023 and 2022, respectively. The Health Center does not make contributions to the 457 plan. The plan year begins on January 1 and ends December 31. The Health Center does not control the plan assets.

Note 11. Reimbursement from County

Reimbursements of $7,756 and $13,647 for 2023 and 2022, respectively, represent reimbursement of compensation paid to a case manager employed by the Health Center.

Note 12. COVID-19 Pandemic & *CARES Act* Funding

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The extent of the COVID-19 pandemic's adverse effect on the Health Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Health Center's control and ability to forecast.

Because of these and other uncertainties, the Health Center cannot estimate the length or severity of the effect of the pandemic on the Health Center's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the years ended December 31, 2023 and 2022, the Health Center received $0 and $344,457 of distributions from the *CARES Act Provider Relief Fund*. These distributions from the Provider Relief Fund are not subject to repayment, provided the Health Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Health Center accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Health Center's operating revenues and expenses through December 31, 2023 and 2022, the Health Center recognized $150,635 and $214,413 related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The Health Center paid back $79,409 of Provider Relief Funds during the year ended December 31, 2022. The unrecognized amount of Provider Relief Fund distributions of $0 and $150,635 is recorded as unearned revenue in the accompanying balance sheets for the year ended December 31, 2023 and 2022, respectively.

The Health Center will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Health Center's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Health Center is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Health Center's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 2020, the Health Center requested accelerated Medicare payments as provided for in the *CARES Act*, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withheld amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended December 31, 2020, the Health Center received $2,211,877 from these accelerated Medicare payment requests. During the year ended December 31, 2021, Medicare applied $1,024,454 from these accelerated Medicare payment requests against filed claims. In 2022, the remaining $1,187,423 was paid in full.

Other COVID-19 Funding

During the years ended December 31, 2023 and 2022, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. During the years ended December 31, 2023 and 2022, the Health Center received $221,284 and $36,083 related to this grant. A receivable for $221,284 was recorded by the Health Center as of December 31, 2022, related to this grant, which was recorded as a component of other receivables in the accompanying balance sheets. The full $257,367 related to this grant was recognized by the Health Center during the year ended December 31, 2022. The revenue recognized was recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 13. Adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*

Effective January 1, 2023, the Health Center adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for information technology subscriptions by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for subscriptions that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. As a result, the Health Center was required to retroactively restate December 31, 2022, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Subscription asset, net	$ 723,306	$ -	$ 723,306
Total assets	8,145,984	7,422,678	723,306
Current portion of subscription liability	276,543	-	276,543
Total current liabilities	2,705,655	2,429,112	276,543
Subscription liability	460,993	-	460,993
Total liabilities	3,813,374	3,075,838	737,536
Net position - net investment in capital assets	1,910,206	1,924,436	(14,230)
Total net position	4,332,610	4,346,840	(14,230)
Total liabilities and net position	8,145,984	7,422,678	723,306
Statements of Revenues, Expenses and Changes in Net Position			
Purchased services and professional fees	$ 2,562,865	$ 2,862,865	$ (300,000)
Amortization	279,989	-	279,989
Total operating expenses	11,216,605	11,236,616	(20,011)
Operating loss	(2,136,002)	(2,156,013)	20,011
Interest expense	(61,397)	(27,156)	(34,241)
Total nonoperating revenues	2,165,450	2,199,691	(34,241)
Increase (Decrease) in net position	29,448	43,678	(14,230)
Net position, end of year	4,332,610	4,346,840	(14,230)
Statements of Cash Flows			
Payments to suppliers	$ (5,659,335)	$ (5,959,335)	$ 300,000
Net cash used in operating activities	(2,531,611)	(2,831,611)	300,000
Principal paid on subscription liability	(265,759)	-	(265,759)
Interest paid on subscription liability	(34,241)	-	(34,241)
Net cash used in capital and related financing activities	(817,727)	(517,727)	(300,000)
Operating loss	(2,136,002)	(2,156,013)	20,011
Amortization	279,989	-	279,989
Net cash used in operating activities	(2,531,611)	(2,831,611)	300,000