Independent Auditor's Report and Financial Statements
Wilson County Hospital d/b/a Wilson Medical Center
December 31, 2023 and 2022

Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Deficit	5
Statements of Cash Flows	6
Statements of Financial Position - Wilson Medical Center Foundation	8
Statements of Activities - Wilson Medical Center Foundation	9
Notes to Financial Statements	10
Required Supplementary Information	
Schedule of Hospital's Proportionate Share of the Net Defined Pension Plan Liability	39
Schedule of Hospital's Contributions to Defined Pension Plan	40
Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios	41

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

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

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

Independent Auditor's Report

Board of Trustees
Wilson County Hospital d/b/a Wilson Medical Center

Opinions

We have audited the accompanying financial statements of the business-type activities of Wilson County Hospital d/b/a Wilson Medical Center (the "Hospital") and the discretely presented component unit Wilson Medical Center Foundation (the "Foundation") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital and the discretely presented component unit of the Hospital as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 and the standards applicable to financial audits contained in the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adjustments to Prior Period Financial Statements

The financial statements of the Hospital as of December 31, 2022, were audited by other auditors whose report dated July 12, 2023, expressed an unmodified opinion on those financial statements. As more fully described in Notes A18 and A19 to the financial statements, the Hospital has adjusted its December 31, 2022 financial statements to retrospectively apply GASB Statement Number 96 "*Subscription-Based Information Technology Arrangements"* and to correct an error in the reporting of the utility assessment bonds payable. The other auditors reported on the financial statements before the retrospective adjustments.

As part of our audit of the December 31, 2023 financial statements, we also audited the adjustments to the 2022 financial statements to retrospectively apply the change in accounting and correction of an error as described in Notes A18 and A19. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Hospital's December 31, 2022 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted auditing standards and the Kansas Municipal Audit and Accounting Guide will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other post-retirement information on pages 39 through 41 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.

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

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
May 1, 2024

Financial Statements

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Net Position
December 31, 2023 and 2022

Assets and Deferred Outflows of Resources

	2023	2022
Current assets		
Cash and cash equivalents	$ 2,217,403	$ 3,052,187
Assets limited as to use	315,958	305,728
Patient accounts receivable, net for allowance for uncollectible accounts of $481,954 in 2023 and $555,302 in 2022	1,795,305	1,415,334
Estimated third-party payor settlements		167,110
Other receivables	177,980	80,801
Inventories	245,625	297,353
Prepaid expenses	199,342	140,139
Total current assets	4,951,613	5,458,652
Assets limited as to use		
Under bond indenture agreement - held by trustee excluding amounts required to meet current obligations	956,277	954,469
Capital assets		
Capital assets not being depreciated	235,548	377,687
Depreciable capital assets, net of accumulated depreciation	6,222,242	6,255,827
Leased assets, net of accumulated amortization	394,343	53,894
Right-of-use subscription IT assets, net of accumulated amortization	1,032,541	1,435,614
Total capital assets	7,884,674	8,123,022
Total assets	13,792,564	14,536,143
Deferred outflows of resources		
Pension	2,897,976	3,612,452
Other post-employment benefits	40,067	39,363
Total deferred outflows of resources	2,938,043	3,651,815
Total assets and deferred outflows of resources	$ 16,730,607	$ 18,187,958

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)

	2023	2022
Current liabilities		
Current portion of long-term debt	$ 8,013,719	$ 525,000
Current portion of lease liabilities	163,708	16,141
Current portion of subscription IT liabilities	358,022	337,274
Accounts payable and other liabilities	912,098	826,210
Accrued interest payable	141,713	152,878
Estimated third-party payor settlements	275,503	
Accrued salaries and benefits	503,660	369,123
Accrued compensated absences	342,647	316,309
Accrued medical claims payable	148,000	148,000
Total current liabilities	10,859,070	2,690,935
Noncurrent liabilities		
Long-term debt, less current portion		8,029,322
Lease liabilities, less current portion	272,439	36,198
Subscription IT liabilities, less current portion	909,147	1,277,934
Other post-employment liability	79,101	96,113
Net pension liability	8,246,487	8,935,086
Total noncurrent liabilities	9,507,174	18,374,653
Total liabilities	20,366,244	21,065,588
Deferred inflows of resources		
Pension	661,607	107,237
Other post-employment benefits	108,762	97,979
Total deferred inflows of resources	770,369	205,216
Net position (deficit)		
Net deficit invested in capital assets	(1,974,075)	(2,251,727)
Restricted - expendable for debt service	1,272,235	1,260,197
Unrestricted (deficit)	(3,704,166)	(2,091,316)
Total net position (deficit)	(4,406,006)	(3,082,846)
Total liabilities, deferred inflows of resources, and net position (deficit)	$ 16,730,607	$ 18,187,958

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Revenues, Expenses, and Changes in Net Deficit
Years ended December 31, 2023 and 2022

	2023	2022
Operating revenues		
Net patient service revenue	$ 17,281,842	$ 18,707,244
Other	1,308,960	1,562,602
Total operating revenues	18,590,802	20,269,846
Operating expenses		
Salaries and wages	9,456,800	9,597,052
Employee benefits	2,546,236	2,698,663
Actuarial adjustment to pension and OPEB expenses	573,314	726,386
Supplies and other	6,882,286	7,773,653
Depreciation and amortization	1,400,773	1,356,960
Total operating expenses	20,859,409	22,152,714
Operating loss	(2,268,607)	(1,882,868)
Nonoperating revenues (expenses)		
County appropriations - Wilson County	493,222	432,828
Investment income	80,729	23,665
Interest expense	(487,506)	(527,381)
Gain on involuntary conversion	411,073	
Noncapital grants and contributions	48,413	1,165,043
Total nonoperating revenues (expenses)	545,931	1,094,155
Excess of expenses over revenues before capital grants and contributions	(1,722,676)	(788,713)
Capital grants and contributions	399,516	
Change in net position	(1,323,160)	(788,713)
Net position at beginning of year		
As previously reported	(3,089,333)	(2,315,984)
Cumulative effect of prior period adjustments	6,487	21,851
As restated	(3,082,846)	(2,294,133)
Net position at end of year	$ (4,406,006)	$ (3,082,846)

The accompanying notes are an integral part of these statements.

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Cash Flows
Years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 17,344,484	$ 15,827,779
Payments to or on behalf of employees	(11,842,161)	(12,387,484)
Payments for supplies and services	(6,803,873)	(7,883,387)
Other receipts and payments	1,269,597	1,600,243
Net cash used by operating activities	(31,953)	(2,842,849)
Cash flows from noncapital financing activities		
Noncapital appropriations - Wilson County	462,577	432,828
Noncapital grants and contributions	48,413	
Net cash provided by noncapital financing activities	510,990	432,828
Cash flows from capital and related financing activities		
Acquisition of capital assets	(530,008)	(489,471)
Insurance proceeds for capital assets	411,073	
Principal payments on long-term debt	(525,000)	(427,156)
Principal payments on lease liabilities	(74,574)	(12,135)
Principal payments on subscription IT liabilities	(348,039)	(337,274)
Interest paid on capital related activities	(514,274)	(535,736)
Capital grants and contributions received	225,481	
Net cash used by capital and related financing activities	(1,355,341)	(1,801,772)
Cash flows from investing activities		
Change in assets limited as to use	(12,038)	(10,591)
Investment income received	53,558	23,665
Net cash provided by investing activities	41,520	13,074
Net change in cash and cash equivalents	(834,784)	(4,198,719)
Cash and cash equivalents at beginning of year	3,052,187	7,250,906
Cash and cash equivalents at end of year	$ 2,217,403	$ 3,052,187

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Cash Flows - Continued
Years ended December 31, 2023 and 2022

	2023	2022
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (2,268,607)	$ (1,882,868)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization	1,400,773	1,356,960
Provision for bad debts	932,964	1,515,999
Changes in		
Accounts receivable	(1,312,935)	(1,129,507)
Other receivables	(39,363)	37,641
Inventories	51,728	(72,526)
Prepaid expenses	(59,203)	(38,954)
Accounts payable and accrued expenses	246,763	(90,023)
Estimated third-party payor settlements	442,613	(3,265,957)
Net pension liability, deferred inflows, and deferred outflows related to defined benefit pension plan	573,314	726,386
Net cash used by operating activities	$ (31,953)	$ (2,842,849)
Supplemental schedule of noncash investing and financing activities		
Lease liability incurred	$ 458,382	$ 64,475

The accompanying notes are an integral part of these statements.

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Financial Position - Discretely Presented Component Unit
Wilson Medical Center Foundation
December 31, 2023 and 2022

	2023	2022
Assets		
Assets		
Cash and cash equivalents	$ 469,384	$ 439,521
Restricted cash and cash equivalents	407,535	401,879
Property and equipment, net of accumulated depreciation of $799,981 in 2023 and $726,964 in 2022	1,120,516	1,229,565
Total assets	$ 1,997,435	$ 2,070,965
Liabilities and Net Assets		
Liabilities		
Long-term debt	$ 279,643	$ 342,968
Net assets		
Without donor restrictions	1,287,757	1,326,118
With donor restrictions	430,035	401,879
Total net assets	1,717,792	1,727,997
Total liabilities and net assets	$ 1,997,435	$ 2,070,965

The accompanying notes are an integral part of these statements.

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Activities - Discretely Presented Component Unit
Wilson Medical Center Foundation
Years ended December 31, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions		
Revenues, gains, and other support		
Medical office building rent	$ 130,450	$ 154,575
Contributions of cash and other financial assets	34,240	42,830
Contribution of nonfinancial assets	69,783	
Investment income	6,090	1,584
Total revenues, gains, and other support without donor restrictions	240,563	198,989
Expenses and losses		
Medical office building and other expenses	103,777	58,445
Salaries and benefits contributed by Wilson Medical Center	68,712	
Depreciation expense	73,018	71,395
Interest expense	10,284	12,421
Contributions to Wilson Medical Center	26,249	81,298
Total expenses and losses	282,040	223,559
Change in net assets without donor restrictions	(41,477)	(24,570)
Change in net assets with donor restrictions		
Contributions of cash	22,500	
Investment income	8,772	882
Change in net assets with donor restrictions	31,272	882
Change in net assets	(10,205)	(23,688)
Net assets at beginning of year	1,727,997	1,751,685
Net assets at end of year	$ 1,717,792	$ 1,727,997

The accompanying notes are an integral part of these statements.

Wilson County Hospital d/b/a Wilson Medical Center
Notes to Financial Statements
December 31, 2023 and 2022

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

The financial statements of Wilson County Hospital d/b/a Wilson Medical Center (the Hospital), a component unit of Wilson County, Kansas, (the County) include the accounts of the Hospital and its discretely presented component Wilson Medical Center Foundation (the Foundation).

The Hospital, located in Neodesha, Kansas, is a Kansas not-for-profit governmental hospital, which provides acute, skilled, and intermediate care services. The Hospital is owned by the County and governed by a Board of Trustees appointed by the Board of County Commissioners. An independent auditor's report for Wilson County may be obtained by contacting Wilson County.

The Foundation is a legally separate nonprofit corporation organized and operated for the exclusive benefit and support of the Hospital. The governing body of the Foundation is self-perpetuating. Although the Hospital does not control the timing or amount of receipts from the Foundation, the resources, or income thereon, which the Foundation holds and invests, are restricted to the activities of the Hospital. Because these resources are held by the Foundation, can only be used by, or for the benefit of, the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

1. Method of accounting

The financial statements of the Hospital have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Hospital uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

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

2. Use of estimates in preparation of financial statements

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that directly 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 revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Hospital considers critical accounting estimates to be those that require more significant judgments and include the valuation of patient accounts receivable, including contractual allowances and provision for bad debts, the estimated settlements with third-party payors, and the estimated liabilities related to pension and post-employment benefit plans.

3. Cash and cash equivalents

Highly-liquid debt instruments with an original maturity of three months or less and certificates of deposit with local banks are considered to be cash equivalents, excluding amounts limited as to use or restricted. This represents an accounting policy change since previously the certificates of deposit were not considered to be cash or cash equivalents. Comparative statements of the prior year have been restated to reflect this change. This restatement had no effect on previously reported net position (deficit) or the change in net position (deficit) of the Hospital.

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

4. Patient accounts receivables and credit policy

Patient accounts receivables are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Hospital bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility.

Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Hospital does not have a policy to charge interest on past due accounts.

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts patients are personally responsible for, through a charge to operations and a credit to the allowance for uncollectible accounts based on its assessment of historical collection likelihood and the current status of individual accounts.

In evaluating the collectability of patient accounts receivable, the Hospital analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors and patients who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

5. Inventories

Inventories of supplies are stated at the lower of cost or net realizable value with cost determined on the first-in, first-out method.

6. Assets limited as to use and investment income

Assets limited as to use consist of U.S. obligation money market funds and U.S. government agency obligations and are reported at fair value in the accompanying statements of net position. Fair value is determined using quoted market prices.

Assets limited as to use consist of funds held by the bond trustee under bond indenture agreements which include deposits made by the Hospital to later make required principal and interest payments on the related long- term debt.

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

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported as nonoperating revenue (expense) unless the income is restricted by donor or law.

7. Capital assets

Capital assets are recorded at cost if purchased or fair value at the date received, if contributed. The Hospital maintains a threshold level of a unit or group cost of $5,000 or more for capitalizing capital assets. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from 5 to 40 years for land improvements and buildings and improvements, from 5 to 20 years for equipment, and from 5 to 10 years for computer software.

Leased assets are recognized at the lease commencement date and represent the Hospital's 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 debt.

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

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the income (loss) from operations, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted expendable net position. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are reported in the accompanying statements of revenue, expenses, and changes in net deficit. During 2023 and 2022, the Hospital determined that no evaluations of recoverability were necessary.

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

8. Accrued vacation and other employee benefits

Hospital 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 as sick leave benefits are not vested.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statements of net position date.

9. Accrued health insurance claims.

The Hospital is partially self-insured for health insurance claims of its employees (Note K). Management estimates the net liability for reported and unreported claims incurred as of the end of each reporting period. The estimate is based on known claims and historical claims experience. Although management believes the estimate for accrued health insurance claims is reasonable, it is possible that actual incurred claims expense may vary significantly from the estimate recorded.

10. Deferred outflows of resources and deferred inflows of resources

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

11. Pension and Other Post Employee Benefit (OPEB) plans

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement Savings Plan (KPERS). The Hospital also provides long-term disability benefits to its employees through KPERS. The Hospital utilizes information provided by KPERS to measure the net pension and OPEB liability, deferred outflows, and deferred inflows of resources related to the benefits provided through the KPERS plan.

12. Net position (deficit)

Net deficit of the Hospital is classified in three components. "Net deficit in capital assets" consists of capital assets net of accumulated depreciation and amortization reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted net position" is a noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the facility. "Unrestricted net position (deficit)" is the remaining net position (deficit) that does not meet the definitions above.

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

13. Operating revenues and expenses

The Hospital's statements of revenues, expenses, and changes in net deficit distinguish between operating and nonoperating revenue and expenses. Operating revenue includes the exchange transactions associated with providing health care services other than noncapital grants and contributions. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenue and expenses are those transactions not considered directly linked to providing health care services.

14. Charity care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify the amount of charges forgone for services and supplies furnished under the charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

15. Grants and contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Revenue from grants and contributions (including contributions of capital assets) is 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. Contributions that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

16. Unemployment compensation

The Hospital has elected the reimbursement method to finance the cost of unemployment compensation benefits. Unemployment compensation expense is charged to operating expense when paid or when the amount of the claims can be estimated.

17. Income taxes

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

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code. Management is not aware of any uncertainties in income tax positions. Tax years ended on and before December 31, 2019, are not subject to examination by taxing authorities.

18. Prior period adjustment to restate previously issued financial statements

In 2023, the Hospital made a prior period adjustment to adjust the utility assessment bonds payable outstanding in 2022. An adjustment of $58,907 applicable to 2022 has been included in the restated 2022 beginning deficit of unrestricted net position of the Hospital. See Note S for additional disclosure of the effect of the effect of this adjustment.

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

19. Adoption of accounting pronouncements

As of January 1, 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), which establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. The effect of the implementation of this standard on beginning net position was $37,055 applicable to 2021 and prior years and has been included in the restated 2022 beginning net position. See Note S for additional disclosure of the effect of the effect of implementing this standard.

20. Subsequent events

Subsequent events have been evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

21. Reclassifications

Certain reclassifications, other than the correction of an error and the adoption of accounting pronouncements, have been made to the 2022 financial statements to conform to the 2023 presentation.

Note B - Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established charge rates. The amounts reported on the statement of net position as estimated third-party payor settlements consist of management's best estimate of the 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 - The Medicare program has designated the Hospital as a critical access hospital (CAH) for Medicare reimbursement purposes. Under this designation, inpatient, swing-bed, rural health clinic (RHC) and outpatient hospital services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology. Certain professional services provided by physicians and other clinicians, other than RHC services, and certain laboratory and mammography services are reimbursed based on prospectively determined fee schedules. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2021.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital receives a hospital specific add-on percentage to each claim based on prior filed cost reports. RHC services rendered to Medicaid beneficiaries are paid at prospectively determined rates per occasion of service. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or fee-for-service basis and are not subject to retroactive adjustment.

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

Note B - Net Patient Service Revenue - Continued

A summary of Hospital gross and net patient service revenue is as follows:

	2023	2022
Gross patient service revenue	$ 29,369,148	$ 29,937,733
Deductions from patient service revenue		
Third-party contractual adjustments	(10,892,069)	(9,394,638)
Self-pay discounts	(87,906)	(209,795)
Charity care	(174,367)	(110,057)
Provision for bad debts	(932,964)	(1,515,999)
Net patient service revenue	$ 17,281,842	$ 18,707,244

Revenue from the Medicare and Medicaid programs accounted for approximately 43 percent and 9 percent, respectively, of the Hospital's net patient revenue during 2023, and 57 percent and 7 percent, respectively, of the Hospital's net patient revenue during 2022. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation.

The Hospital maintains records to identify and monitor the level of charity care it provides. The Hospital estimates that the cost of providing charity care, based on overall cost-to-charge ratios obtained from its Medicare cost reports was $121,000 and $76,000 for 2023 and 2022, respectively.

Note C - Assets Limited as to Use

Under indenture agreements - held by trustee

Asset limited as to use by indenture agreements are held by a trustee and are stated at fair value. These assets are related to indenture issue and consist of the following:

	2023	2022
Bond reserve fund	$ 956,277	$ 954,469
Principal and interest funds	315,958	305,728
	$ 1,272,235	$ 1,260,197

Assets are invested by the trustee as follows:

	2023	2022
Money market treasury fund	$ 333,178	$ 305,728
U.S. Government and Agency obligations at fair value	939,057	954,469
	$ 1,272,235	$ 1,260,197

The bond reserve funds are available for debt principal and interest payments to prevent any default in the payment of principal or interest of the respective bonds, or if not so required, may be used to make the final payments of bond principal and interest.

Note D - Capital Assets

	2023			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 143,406	$ -	$ -	$ 143,406
Construction in progress	234,281	(142,139)		92,142
Total capital assets being depreciated	377,687	(142,139)	-	235,548
Capital assets being depreciated				
Land improvements	1,758,744	9,050		1,767,794
Buildings and fixed equipment	12,199,718	386,403	528,851	12,057,270
Major movable equipment	6,733,946	506,575	2,939,772	4,300,749
Total capital assets being depreciated	20,692,408	902,028	3,468,623	18,125,813
Less accumulated depreciated for				
Land improvements	1,360,200	48,414		1,408,614
Buildings and fixed equipment	8,121,764	424,333	528,851	8,017,246
Major moveable equipment	4,954,617	462,866	2,939,772	2,477,711
Total accumulated depreciation	14,436,581	935,613	3,468,623	11,903,571
Total capital assets being depreciated, net	6,255,827	(33,585)	-	6,222,242
Lease assets being amortized				
Leased equipment	64,475	402,536		467,011
Less accumulated amortization	10,581	62,087	-	72,668
Total leased assets, net	53,894	340,449	-	394,343
Subscription IT assets being amortized				
Subscription IT assets	2,476,886			2,476,886
Less accumulated amortization	1,041,272	403,073	-	1,444,345
Subscription IT assets, net	1,435,614	(403,073)	-	1,032,541
Total capital assets, net	$ 8,123,022	$ (238,348)	$ -	$ 7,884,674

Note D - Capital Assets - Continued

	2022			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 143,406	$ -	$ -	$ 143,406
Construction in progress	481,752	(247,471)		234,281
Total capital assets not being depreciated	625,158	(247,471)	-	377,687
Capital assets being depreciated				
Land improvements	1,744,744	14,000		1,758,744
Buildings and fixed equipment	12,190,766	8,952		12,199,718
Major movable equipment	6,379,419	730,475	375,948	6,733,946
Total capital assets being depreciated	20,314,929	753,427	375,948	20,692,408
Less accumulated depreciation for				
Land improvements	1,300,412	59,788		1,360,200
Buildings and fixed equipment	8,102,816	18,948		8,121,764
Major movable equipment	4,993,607	336,958	375,948	4,954,617
Total accumulated depreciation	14,396,835	415,694	375,948	14,436,581
Total capital assets being depreciated, net	5,918,094	337,733	-	6,255,827
Lease assets being amortized				
Leased equipment	37,695	26,780		64,475
Less accumulated amortization	1,257	9,324	-	10,581
Total leased assets, net	36,438	17,456	-	53,894
Subscription IT assets being amortized				
Subscription IT assets	2,476,886			2,476,886
Less accumulated amortization	638,199	403,073	-	1,041,272
Subscription IT assets, net	1,838,687	(403,073)	-	1,435,614
Total capital assets, net	$ 8,418,377	$ (295,355)	$ -	$ 8,123,022

Construction in progress at December 31, 2023, primarily relates to uncompleted projects. There were no material commitments related to these projects at December 31, 2023.

Note E - Long-term Debt

Long-term debt consists of the following:

	2023	2022
5.50% to 6.20% Wilson County, Kansas Hospital Revenue Bonds; Series 2006; issued on November 2, 2006, in the original amount of $9,865,000, due serially through September 1, 2036	$ 6,615,000	$ 7,000,000
3.50% to 4.25% Wilson County, Kansas Hospital Refunding and Improvement Bonds, Series 2014; issued on December 18, 2014, in the original amount of $4,280,000, due serially through September 1, 2028	1,365,000	1,430,000
Special assessments payable related to new hospital construction paid off in 2023		75,000
	7,980,000	8,505,000
Add net unamortized premium on bonds	33,719	49,322
Less current maturities of long-term debt	8,013,719	525,000
Long-term debt, net of current maturities	$ -	$ 8,029,322

The following is a summary of changes in long-term debt:

	Hospital revenue bonds	Special utilities assessment	Total long-term obligations
Outstanding at January 1, 2022	$ 8,855,000	$ 136,063	$ 8,991,063
Principal payments	(425,000)	(61,063)	(486,063)
Outstanding at January 1, 2023	8,430,000	75,000	8,505,000
Principal payments	(450,000)	(75,000)	(525,000)
Outstanding at December 31, 2023	$ 7,980,000	$ -	$ 7,980,000

Note E - Long-term Debt - Continued

Annual debt service requirements on long-term debt are as follows:

	Principal	Interest	Total
2024	$ 475,000	$ 433,137	$ 908,137
2025	505,000	405,442	910,442
2026	535,000	375,672	910,672
2027	565,000	344,152	909,152
2028	590,000	320,705	910,705
2029 - 2033	3,045,000	1,160,435	4,205,435
2034 - 2036	2,265,000	258,160	2,523,160
	$ 7,980,000	$ 3,297,703	$ 11,277,703

On November 2, 2006, Wilson County, Kansas, issued $9,865,000 Hospital Revenue Bonds, Series 2006 at a premium of $133,202 on behalf of the Hospital. The Bonds are payable solely from the gross revenues of the Hospital and funds held by the bond trustee. The proceeds from this issue were used to (1) pay certain costs related to the issuance of the 2006 bonds and (2) fund the construction of the new hospital facility. The Bonds do not constitute a general obligation of Wilson County.

On December 18, 2014, Wilson County, Kansas, issued $4,280,000 Hospital Revenue Bonds, Series 2014 at a discount of $53,500 on behalf of the Hospital. The Bonds are payable solely from the gross revenues of the Hospital and funds held by the bond trustee. The proceeds from this issue were used to (1) advance refund the 2007 bonds as well as portions of the 2006 bonds and (2) pay certain costs related to the issuance related to the issuance of the 2014 bonds. The Bonds do not constitute a general obligation of Wilson County.

The bond indentures for both series of bonds above include various restrictive covenants, including but not limited to, a minimum required level of days cash on hand of 70 days, a minimum required debt service coverage ratio of 1.25, and restrictions on incurrence of additional debt. The Hospital was below 1.0 on debt service coverage ratio as of December 31, 2023, which is a default and can trigger an event of default. Due to this, the debt has been classified as a current liability at December 31, 2023.

In connection with the new hospital construction, utility construction costs were incurred on behalf of the Hospital and financed by the City of Neodesha (the City). The City will be reimbursed for the utility construction costs plus interest through special tax assessments levied on the real property on which the new hospital is located.

Note F - Lease Liabilities

Lease liabilities are summarized as follows:

	2023	2022
Right-of-use lease liability; implied interest rate of 0.00%; payable in monthly installments of $744 through July 1, 2025	$ 14,134	$ 23,061
Right-of-use lease liability; implied interest rate of 0.00%; payable in monthly installments of $601 through November 30, 2026	22,646	29,278
Right-of-use lease liability; implied interest rate of 5.79%; payable in monthly installments of $13,901 through November 16, 2026	399,367	
	436,147	52,339
Less current maturities of right-of-use lease liabilities	163,708	16,141
Noncurrent portion of right-of-use lease liabilities	$ 272,439	$ 36,198

The following is a summary of changes in right-of-use lease liabilities:

Outstanding at January 1, 2022	$ -
Obligations incurred	64,475
Principal payments	(12,136)
Outstanding at January 1, 2023	52,339
Obligations incurred	458,382
Principal payments	(74,574)
Outstanding at December 31, 2023	$ 436,147

Scheduled future lease liability payments are as follows:

	Principal	Interest	Total
2024	$ 163,708	$ 19,248	$ 182,956
2025	168,763	10,474	179,237
2026	102,672	1,851	104,523
2027	1,004		1,004
Total minimum lease payments	$ 436,147	$ 31,573	$ 467,720

Note G - Subscription IT Liabilities

Subscription IT liabilities are summarized as follows:

	2023	2022
Subscription IT liabilities; implied interest rate of 4.35%; payable in monthly installments of $22,260 through May 1, 2027	$ 1,267,169	$ 1,615,208
Less current maturities of subscription IT liabilities	358,022	337,274
Noncurrent portion of subscription IT liabilities	$ 909,147	$ 1,277,934

The following is a summary of changes in subscription liabilities:

Outstanding at January 1, 2022	$ 1,952,482
Principal payments	(337,274)
Outstanding at January 1, 2023	1,615,208
Principal payments	(348,039)
Outstanding at December 31, 2023	$ 1,267,169

Scheduled future subscription liability payments are as follows:

	Principal	Interest	Total
2024	$ 358,022	$ 32,182	$ 390,204
2025	368,448	21,756	390,204
2026	379,337	10,867	390,204
2027	161,362	1,200	162,562
	$ 1,267,169	$ 66,005	$ 1,333,174

Note H - CARES Act Revenue

CARES Act revenue consists of federal financial assistance through the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act and subsequent legislation. The Hospital received provider relief funds from the United States Department of Health and Human Services (HHS) to be used to prevent, prepare for, and respond to coronavirus and to reimburse the Hospital for health care related expenses and lost revenues as defined by HHS, that are attributable to coronavirus, until such eligibility requirements are met. These funds are considered voluntary nonexchange transactions subject to eligibility requirements and are recognized as unearned income until the conditions have been satisfied. The Hospital has determined that the conditions have been met for recognizing revenue of approximately $1,170,000 in 2022 related to these grants.

Note I - Defined Benefit Pension Plan

Plan Description

The Hospital participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Substantially all employees of the Hospital are eligible to participate in KPERS. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits.

Kansas law establishes and amends benefit provisions. Substantially all public employees in Kansas are covered by KPERS. Participation by local political subdivisions and entities is optional, but irrevocable once elected. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Benefits

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

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

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

Contributions

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

KPERS has three benefit structures and funding depending on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members were hired before July 1, 2009, Tier 2 members were first employed on or after July 1, 2009, and Tier 3 members were first employed on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 6 percent of covered salary for all members for 2023 and 2022, respectively. The employer rates established by statute at December 31, 2023 and 2022, are 8.43 percent and 8.90 percent, respectively.

The Hospital employer contributions to KPERS for the years ended December 31, 2023 and 2022, were $739,471 and $816,694, respectively, equal to the statutory required contributions for each year.

Note I - Defined Benefit Pension Plan - Continued

Employer and Nonemployer Allocations

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

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

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The Hospital is included in the local group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the Hospital's share of the collective pension amounts as of December 31, 2023 and 2022, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the KPERS plan years ended June 30, 2023 and 2022, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of December 31, 2023, the Hospital's proportion was 0.3931 percent which was a decrease of .056 percent from its share at December 31, 2022.

Net pension liability

At December 31, 2023 and 2022, the Hospital reported a liability of $8,246,487 and $8,935,086, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

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

Actuarial assumptions	2023	2022
Price inflation	2.75%	2.75%
Wage inflation	3.00%	3.00%
Salary increases, including wage increases	3.50% - 10.00%	3.50% - 10.00%
Discount rate	3.65%	3.54%

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

Note I - Defined Benefit Pension Plan - Continued

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

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

Discount Rate

The discount rates used to measure the total pension liability at the measurement date for 2023 and 2022 were 7.00 percent. The actuarial assumptions used in the calculation of the total pension liability were based on the results of the most recent actuarial experience study.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% decrease (6.00%)	Current discount rate (7.00%)	1% increase (8.00%)
Hospital's share of net pension liability	$ 11,824,582	$ 8,246,487	$ 5,265,561

Note I - Defined Benefit Pension Plan - Continued

Pension Expense

For the years ended December 31, 2023 and 2022, the Hospital recognized pension expense of $1,377,369 and $1,543,080, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	2023	2022
Deferred outflows of resources		
Differences between expected and actual experience	$ 685,520	$ 337,962
Change of assumptions	874,013	1,428,222
Net difference between projected and actual earnings on pension plan investments	481,641	756,355
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	471,965	681,366
Employer contributions subsequent to the measurement date	384,837	408,547
Total deferred outflows of resources	$ 2,897,976	$ 3,612,452
Deferred inflows of resources		
Differences between expected and actual experience	$ 1,161	$ 16,016
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	660,446	91,221
Total deferred inflows of resources	$ 661,607	$ 107,237

Note I - Defined Benefit Pension Plan - Continued

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

Year ended December 31,	Employer contributions subsequent to the measurement date	Recognition of net deferred outflows/(inflows) of resources by year	Total
2024	$ 384,837	$ 684,537	$ 1,069,374
2025		410,613	410,613
2026		765,002	765,002
2027		(7,386)	(7,386)
2028		(1,234)	(1,234)
	$ 384,837	$ 1,851,532	$ 2,236,369

Note J - Other Post-employment Benefit Plan

Plan description and benefits provided

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

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

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

Note J - Other Post-employment Benefit Plan - Continued

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

Covered employees

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

	2022	2021
Inactive employees or beneficiaries currently receiving benefit payments	3	3
Active employees	119	147
Total	122	150

Total OPEB liability

At December 31, 2023 and 2022, the Hospital reported a total OPEB liability of $79,101 and $96,113, respectively.

Actuarial assumptions

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

Actuarial assumptions	2023	2022
Price inflation	2.75%	2.75%
Wage inflation	3.00%	3.00%
Salary increases, including wage increases	3.50% - 10.00%	3.50% - 10.00%
Discount rate	3.65%	3.54%

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

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

Note J - Other Post-employment Benefit Plan - Continued

Changes in the total OPEB liability

	2023	2022
Liability at beginning of period	$ 96,113	$ 122,342
Changes for the year		
Service cost	20,592	29,824
Interest	3,869	3,136
Changes of economic/demographic gains or losses	(26,194)	(20,279)
Changes in assumptions or other inputs	(342)	(24,873)
Benefit payments	(14,937)	(14,037)
	(17,012)	(26,229)
Balance at end of period	$ 79,101	$ 96,113

Sensitivity of the OPEB liability to changes in the discount rate

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

	1% decrease 2.65%	Current discount rate 3.65%	1% increase 4.65%
Total OPEB liability	$ 82,093	$ 79,101	$ 75,907

OPEB expense

For the years ended December 31, 2023 and 2022, the Hospital recognized OPEB expense of $15,473 and $58,616, respectively, which includes the changes in the total OPEB liability and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Note J - Other Post-employment Benefit Plan - Continued

Deferred outflows and resources and deferred inflows of resources

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

	2023	2022
Deferred outflows of resources		
Differences between expected and actual experience	$ 28,849	$ 34,949
Benefit payments subsequent to the measurement date	7,469	
Changes of assumptions	3,749	4,414
Total deferred outflows of resources	$ 40,067	$ 39,363
Deferred inflows of resources		
Differences between expected and actual experience	$ 88,124	$ 75,045
Changes of assumptions	20,638	22,934
Total deferred inflows of resources	$ 108,762	$ 97,979

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

Year ended December 31,	Benefit payments subsequent to the measurement date	Recognition of net deferred outflows/(inflows) of resources by year	Total
2024	$ 7,469	$ (8,988)	$ (1,519)
2025		(8,988)	(8,988)
2026		(8,961)	(8,961)
2027		(7,988)	(7,988)
2028		(7,632)	(7,632)
Thereafter		(33,607)	(33,607)
	$ 7,469	$ (76,164)	$ (68,695)

Note K - Accrued Medical Claims Payable

The Hospital sponsors a self-funded health care plan which provides medical benefits to employees and their dependents. Health care expense under the self-funded health care plan is based upon actual claims paid, reinsurance premiums, administrative fees, and unpaid claims at year-end. The Hospital has reinsured a portion of its risk for such claims. The reinsurance arrangement covers annual claims in excess of $30,000 for each covered individual. The Hospital has retained an insurance company as its agent to process and settle claims.

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

	2023	2022
Estimated accrued medical claims payable at beginning of period	$ 148,000	$ 148,000
Provision for employer's share of incurred claims and related expenses for the year, net of any reinsurance proceeds	937,818	1,075,109
Employee contributions	226,880	221,994
Payments made for claims and related expenses	(1,164,698)	(1,297,103)
Estimated net accrued medical claims payable at end of period	$ 148,000	$ 148,000

Note L - Interest Expense

Total interest costs incurred are as follows:

	2023	2022
Total interest incurred	$ 503,109	$ 527,381
Amortization of bond premium	(15,603)	
Interest expense	$ 487,506	$ 527,381

Note M - Deposits with Financial Institutions

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of 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.

The carrying amount of the Hospital's deposits with financial institutions were $2,216,726 and the bank balances were $2,299,722 at December 31, 2023.

Note M - Deposits with Financial Institutions - Continued

The bank balance is categorized as follows:

Amount insured by the F.D.I.C., bank deposit guaranty bond, or collateralized with securities held by the Hospital in its name	$ 553,466
Uncollateralized (collateralized with securities held in safekeeping under joint custody receipt by an authorized depository other but not in the Hospital's name)	1,246,256
Secured by letter of credit from Federal Home Loan Bank	500,000
	$ 2,299,722

Note N - Concentration of Credit Risk

Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to patients. The majority of the Hospital's patients are from Neodesha, Kansas, and the surrounding area.

The mix of receivables from patients and third-party payors was as follows at December 31:

	2023	2022
Medicare	45 %	43 %
Medicaid	8	9
Blue Cross	8	11
Commerical	13	11
Self-pay	26	26
	100 %	100 %

Note O - Risk Management

The Hospital's professional liability insurance for claim losses of less than $500,000 per claim and $1,500,000 per year covers professional liability claims reported during a policy year (claims-made coverage). The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending to July 1, 2024. The Kansas Healthcare Stabilization Fund provides additional professional liability coverage up to an additional $500,000 per claim and $1,500,000 per year above the Hospital's professional liability insurance coverages.

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the Hospital. Although there exists the possibility of claims arising from services provided to patients through December 31, 2023, which have not yet been asserted, the Hospital has not been given notice of any possible claims, and accordingly, no provision has been made for them.

Note P - Fair Value Measurements

The Hospital categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are unadjusted quoted prices for identical assets in active markets. Level 2 inputs are significant other observable inputs. Level 3 inputs are unobservable, supported by little or no market activity.

The asset 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 methodology used for assets measured at fair value on a recurring basis:

Money market treasury fund is valued at unadjusted quoted prices for identical securities in active markets (Level 1 inputs).

U.S. Government and Agency bonds are valued at prices provided by independent pricing services (Level 2 inputs).

The Hospital has the following recurring fair value measurements at December 31, 2023 and 2022, included under the caption of Assets Limited as to Use under bond indenture agreements held by trustee:

Money Market Treasury Fund of $333,178 and $305,728, respectively, are valued at unadjusted quoted prices (Level 1).

U.S. Government and Agency obligations of $939,058 and $954,469, respectively, are valued at prices provided by independent pricing services to the trustee (Level 2).

Note Q - Related Party Transactions

The Hospital received $26,249 and $81,298 from the Foundation during 2023 and 2022, respectively. The Hospital incurred $69,783 and $94,586 in salary, employee benefits, and other expenses on behalf of the Foundation during 2023 and 2022, respectively. The Hospital paid rent to the Foundation totaling $108,000 during 2023 and 2022.

Note R - Commitments and Contingencies

The Hospital has entered into a self-insured trust agreement with the Kansas Hospital Association, along with other qualified hospitals in the state of Kansas to provide workers' compensation insurance for employees. To the extent the trust would be unable to meet its claims liabilities, members have, jointly and severally, agreed to pay for all claims. Management has assessed the financial condition of the trust and believes that the trust is sufficiently funded to meet its liabilities as they come due as of December 31, 2023. Management is also not aware of any intention by the trust to implement an assessment in the future for past funding shortages.

Note S - Adoption of New Accounting Standard and Correction of an Error

In 2023, the Hospital made a prior period adjustment to correct the utility assessment bonds payable outstanding in 2022.

As of January 1, 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, "Subscription-Based Information Technology Arrangements (SBITAs)," which establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability.

Beginning net position was restated to retroactively adopt the provisions of GASB No. 96 and to adjust the utility assessment bonds payable as follows:

	Amount as previously reported	Change in accounting principle and correction of an error	Amount as restated
Statement of Net Position			
Assets and Deferred Outflows of Resources			
Depreciable capital assets, net of accumulated depreciation	$ 6,726,144	$ (470,317)	$ 6,255,827
Leased assets, net of accumulated amortization	-	53,894	53,894
Right-of-use subscription IT assets, net of accumulated amortization	-	1,435,614	1,435,614
Total capital assets	7,103,831	1,019,191	8,123,022
Total assets	13,516,952	1,019,191	14,536,143
Total assets and deferred outflows of resources	17,168,767	1,019,191	18,187,958
Liabilities, deferred inflows of resources, and net position (deficit)			
Current portion of long-term debt	525,816	(816)	525,000
Current portion of lease liabilities	139,225	(123,084)	16,141
Current portion of subscription IT liabilities		337,274	337,274
Total current liabilities	2,477,559	213,376	2,690,935
Long-term debt, less current portion	8,087,413	(58,091)	8,029,322
Leases liabilities, less current portion	456,713	(420,515)	36,198
Subscription IT liabilities, less current portion		1,277,934	1,277,934
Total noncurrent liabilities	17,575,325	799,328	18,374,653
Total liabilities	20,052,884	1,012,704	21,065,588
Net deficit invested in capital assets	(2,258,214)	6,487	(2,251,727)
Total net position (deficit)	(3,089,333)	6,487	(3,082,846)
Total liabilities, deferred inflows of resources, and net position (deficit)	17,168,767	1,019,191	18,187,958

Note S - Adoption of New Accounting Standard and Correction of an Error - Continued

	Amount as previously reported	Change in accounting principle and correction of an error	Amount as restated
Statement of Revenues, Expenses, and Changes in Net Deficit			
Supplies and other	$ 8,040,773	$ (267,120)	$ 7,773,653
Depreciation and amortization	1,126,200	230,760	1,356,960
Total operating expenses	22,189,074	(36,360)	22,152,714
Operating loss	(1,919,228)	36,360	(1,882,868)
Interest expense	(475,657)	(51,724)	(527,381)
Total nonoperating revenues (expenses)	1,145,879	(51,724)	1,094,155
Excess of expenses over revenues before capital grants and contributions	(773,349)	(15,364)	(788,713)
Change in net position	(773,349)	(15,364)	(788,713)
Net deficit, beginning of year	(2,315,984)	21,851	(2,294,133)
Net deficit, end of year	(3,089,333)	6,487	(3,082,846)
Statement of Cash Flows			
Cash flows from operating activities			
Payments for supplies and services	$ (8,150,507)	$ 267,120	$ (7,883,387)
Net cash used by operating activities	(3,109,969)	267,120	(2,842,849)
Cash flows from capital and related financing activities			
Principal payments on lease liabilities	(134,013)	121,878	(12,135)
Principal payments on subscription IT liabilities		(337,274)	(337,274)
Interest paid on capital related activities	(484,012)	(51,724)	(535,736)
Net cash used by capital and related financing activities	(1,545,243)	(256,529)	(1,801,772)

Note T - Wilson Medical Center Foundation

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of the FASB. The FASB requires the Foundation to distinguish between contributions that increase net assets with donor restrictions and net assets without donor restrictions. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. As permitted by GASB Statement No. 34, the Hospital has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the Hospital's reporting entity.

Note T - Wilson Medical Center Foundation - Continued

Net Assets

The following classifications reflect the nature of restrictions on net assets with donor restrictions at December 31:

	2023	2022
Restricted by time or purpose		
Scholarships	$ 322,267	$ 316,611
Hospital equipment	22,500	
Total restricted by time or purpose	344,767	316,611
Perpetual in nature endowment	85,268	85,268
Total net assets with donor restrictions	$ 430,035	$ 401,879

Notes Payable

The following is a summary of notes payable for the Foundation for the years ended December 31:

	2023	2022
3.68% note payable to financial institution, payable in monthly installments of $2,992 through December 2025, collateralized by certain property and equipment of the Foundation	$ 69,131	$ 101,841
3.39% note payable to financial institution, payable in monthly installments of $1,230 through December 2027, collateralized by certain property and equipment of the Foundation	55,066	67,692
3.00% note payable to financial institution, payable in monthly installments of $1,912 through July 2031, collateralized by certain property and equipment of the Foundation	155,446	173,435
	$ 279,643	$ 342,968

Note T - Wilson Medical Center Foundation - Continued

Scheduled principal repayments on long-term debt for the next five years and thereafter are as follows:

2024	$ 65,513
2025	67,827
2026	33,676
2027	34,764
2028	20,890
Thereafter	56,973
	$ 279,643

Required Supplementary Information

Wilson County Hospital d/b/a Wilson Medical Center
Schedule of the Hospital's Proportionate Share of the
Net Defined Pension Plan Liability

	2023	2022	2021	2020	2019	2018	2017	2016
Hospital's proportion of the net pension liability	0.39308%	0.44944%	0.41529%	0.38363%	0.38619%	0.41273%	0.35858%	0.34392%
Hospital's proportionate share of the net pension liability	$ 8,246,487	$ 8,935,086	$ 4,983,262	$ 6,650,747	$ 5,396,456	$ 5,752,631	$ 5,193,800	$ 5,320,467
Hospital's covered employee payroll	$ 8,771,898	$ 9,176,337	$ 7,888,501	$ 7,362,021	$ 6,939,123	$ 7,417,998	$ 6,645,674	$ 5,999,204
Hospital's proportionate share of the net pension liability as a percentage of its covered employee payroll	94.01%	97.37%	63.17%	90.34%	77.77%	77.55%	78.15%	88.69%
Plan fiduciary net position as a percentage of the total pension liability	70.55%	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%

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

Wilson County Hospital d/b/a Wilson Medical Center
Schedule of the Hospital's Contributions to Defined Pension Plan

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 739,471	$ 816,694	$ 699,710	$ 633,870	$ 616,888	$ 622,370	$ 562,224	$ 550,127
Contributions in relation to the contractually required contribution	(739,471)	(816,694)	(699,710)	(633,870)	(616,888)	(622,370)	(562,224)	(550,127)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hospital's covered employee payroll	$ 8,771,898	$ 9,176,337	$ 7,888,501	$ 7,362,021	$ 6,939,123	$ 7,417,998	$ 6,645,674	$ 5,999,204
Contributions as a percentage of covered employee payroll	8.43%	8.90%	8.87%	8.61%	8.89%	8.39%	8.46%	9.17%

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

Wilson County Hospital d/b/a Wilson Medical Center
Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios
June 30,

	2023	2022	2021	2020	2019
Service cost	$ 20,592	$ 29,824	$ 28,005	$ 26,944	$ 26,642
Interest on total OPEB liability	3,869	3,136	3,774	6,080	3,616
Effect of economic/demographic gains or losses	(26,194)	(20,279)	(38,651)	(17,447)	59,349
Effect of assumption changes or inputs	(342)	(24,873)	126	4,921	1,503
Benefit payments	(14,937)	(14,037)	(27,213)	(21,745)	(693)
Net change in total OPEB liability	(17,012)	(26,229)	(33,959)	(1,247)	90,417
Total OPEB liability, beginning	96,113	122,342	156,301	157,548	67,131
Total OPEB liability, ending	$ 79,101	$ 96,113	$ 122,342	$ 156,301	$ 157,548
Covered payroll	$ 7,703,810	$ 8,536,159	$ 8,542,678	$ 7,583,427	$ 5,822,923
Total OPEB liability as a % of covered payroll	1.03%	1.13%	1.43%	2.06%	2.71%