Board of Trustees of Republic County Hospital A Component Unit of Republic County, Kansas

Independent Auditor's Report and Financial Statements

September 30, 2024 and 2023

Board of Trustees of Republic County Hospital
A Component Unit of Republic County, Kansas
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September 30, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Board of Trustees of Republic County Hospital
Belleville, Kansas

Opinion

We have audited the financial statements of the Board of Trustees of Republic County Hospital (BOT), a component unit of Republic County, Kansas, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Board of Trustees of Republic County Hospital'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 the Board of Trustees of Republic County Hospital as of September 30, 2024 and 2023, 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) and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Board of Trustees of Republic County Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BOT'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 BOT'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

The BOT has omitted the management's discussion and analysis information 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 Mazars, LLP

Wichita, Kansas
March 5, 2025

Board of Trustees of Republic County Hospital
A Component Unit of Republic County, Kansas
Balance Sheets
September 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	$ 5,203,610	$ 1,802,883
Short-term certificates of deposit	846,897	814,936
Short-term investments	-	3,994,930
Due from Hospital	51,858	-
Interest receivable	5,678	3,029
Intergovernmental receivable	163,399	398,000
Notes receivable	3,500	7,000
Total Current Assets	6,274,942	7,020,778
Noncurrent Cash and Investments		
Funds held by County for debt service	18,132	19,290
Capital Assets, Net	325,479	352,178
Due From Hospital	203,639	-
Total Assets	$ 6,822,192	$ 7,392,246

See Notes to Financial Statements

	2024	2023
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 567,947	$ 496,739
Interest payable	75,182	92,569
Deposits	4,110	3,305
Due to Hospital	4,139	8,837
Total Current Liabilities	651,378	601,450
Long-term Debt, Less Current Maturities	5,321,733	5,640,181
Total Liabilities	5,973,111	6,241,631
Net Position		
Net investment in capital assets	220,479	197,178
Restricted expendable for debt service	18,132	19,290
Unrestricted	610,470	934,147
Total Net Position	849,081	1,150,615
Total Liabilities and Net Position	$ 6,822,192	$ 7,392,246

Board of Trustees of Republic County Hospital
A Component Unit of Republic County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2024 and 2023

	2024	2023
Operating Revenues		
Clinic revenue	$ 59,401	$ 48,205
Independent living revenue	121,260	117,791
Noncapital appropriations - Republic County	1,800,141	1,841,661
Other	24,203	357,258
Total Operating Revenues	2,005,005	2,364,915
Operating Expenses		
Clinic expense	61,221	69,578
Independent living expense	74,413	66,881
Board expense	26,966	24,074
Depreciation	49,853	44,802
Total Operating Expenses	212,453	205,335
Operating Income	1,792,552	2,159,580
Nonoperating Revenues (Expenses)		
Investment income	147,397	123,493
Noncapital grants and gifts	310,529	2,000,000
Contribution to Hospital for operations	(2,306,295)	(678,741)
Contribution to Hospital for capital	(77,640)	(1,525,968)
Interest expense	(168,077)	(206,394)
Total Nonoperating Revenues (Expenses)	(2,094,086)	(287,610)
Increase (Decrease) in Net Position (Deficit)	(301,534)	1,871,970
Net Position (Deficit), Beginning of Year	1,150,615	(721,355)
Net Position, End of Year	$ 849,081	$ 1,150,615

Board of Trustees of Republic County Hospital
A Component Unit of Republic County, Kansas
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Receipts from and on behalf of residents	$ 180,661	$ 165,996
Receipts from County - noncapital appropriations	2,034,742	2,107,587
Other receipts, net	(138,790)	613,220
Net Cash Provided by Operating Activities	2,076,613	2,886,803
Cash Flows From Noncapital Financing Activities		
Noncapital grants and gifts	310,529	2,000,000
Contributions to Hospital for operations	(2,306,295)	(678,741)
Net Cash Provided by (Used in) Noncapital Financing	(1,995,766)	1,321,259
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(23,154)	-
Proceeds from issuance of long-term debt	-	4,014,309
Purchase of capital assets contributed to Hospital	(77,640)	(1,525,968)
Principal paid on long-term debt	(502,737)	(3,011,245)
Interest paid on long-term debt	(185,464)	(178,336)
Net Cash Used in Capital and Related Financing Activities	(788,995)	(701,240)
Cash Flows From Investing Activities		
Investment income	144,748	122,017
Purchase of certificates of deposit	(846,897)	(372,549)
Proceeds from disposition of certificates of deposit	814,936	867,057
Purchase of investments	(89,765)	(3,994,930)
Proceeds from disposition of investments	4,084,695	-
Net Cash Provided by (Used in) Investing Activities	4,107,717	(3,378,405)
Increase in Cash	3,399,569	128,417
Cash, Beginning of Year	1,822,173	1,693,756
Cash, End of Year	$ 5,221,742	$ 1,822,173
Reconciliation of Cash to the Balance Sheets		
Cash	$ 5,203,610	$ 1,802,883
Funds held by County for debt service	18,132	19,290
	$ 5,221,742	$ 1,822,173

Board of Trustees of Republic County Hospital
A Component Unit of Republic County, Kansas
Statements of Cash Flows (Continued)
Years Ended September 30, 2024 and 2023

	2024	2023
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 1,792,552	$ 2,159,580
Depreciation	49,853	44,802
Change in operating assets and liabilities		
Intergovernmental receivable	234,601	265,926
Notes receivable	3,500	(4,500)
Restricted nonexpendable funds	-	412,871
Deposits	805	805
Due to Hospital	(4,698)	7,319
Net Cash Provided by Operating Activities	$ 2,076,613	$ 2,886,803
Noncash Investing, Capital and Financing Activities		
Principal payments made by Great Plains of Republic County, Inc. on subleased financed capital purchases	$ 29,078	$ 12,296
Additions made by Great Plains of Republic County, Inc. on subleased financed capital purchases	$ 284,575	$ -

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

Nature of Operations and Reporting Entity

The Board of Trustees of Republic County Hospital (BOT) was organized by the County Commissioners of Republic County, Kansas to operate a governmental hospital and to control the use of tax appropriations. The BOT is appointed by the County Commissioners of Republic County and is considered to be a component unit of Republic County, Kansas (County). The BOT owns and rents a medical clinic building and independent living apartments.

Great Plains of Republic County, Inc. (GPRC/Hospital) is located in Belleville, Kansas and provides acute, swing-bed and long-term care services under a lease agreement entered into, pursuant to K.S.A. 19-4601 et. seq. with the BOT (*Note 2*). The operations of the Hospital are reported separately from the BOT due to this lease agreement.

Basis of Accounting and Presentation

The financial statements of the BOT 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 transactions take place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include noncapital appropriations – Republic County and exchange transactions. Contributions, investment income (loss) and contributions to Hospital for operations are included in nonoperating revenues (expenses).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and 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 BOT considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2024 and 2023.

Investments and Investment Income

Investments in U.S. Treasury obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost.

Investment income includes interest income and realized gains and losses on investments carried at other than fair value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair 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 BOT:

Land improvements	10 – 25 years
Buildings	5 – 40 years
Fixed equipment	7 – 20 years
Moveable equipment	10 – 15 years

Maintenance, repairs and renewals which neither materially add to the value of the capital assets nor appreciably prolong the life are charged to expense as incurred. Gains or losses on dispositions of capital assets are included in operations.

Capital Asset Impairment

The BOT evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2024 and 2023.

Noncapital Appropriations – County – Property and Sales Taxes

The BOT receives tax appropriations from the County. Property taxes are assessed in November and are received beginning in January of each year. Revenue from property taxes is recognized in the year for which the taxes are assessed to the extent such taxes are collected and available for use. Sales tax revenue is recognized based on sales tax collected by the County's retailers in the BOT accounting period. The sales tax is permanent and is 1% of sales taxable transactions. Amounts not yet received as of fiscal year-end are reflected on the balance sheets as intergovernmental receivables.

Revenue for property taxes and sales taxes are reported as noncapital appropriations – Republic County in the accompanying statements of revenues, expenses and changes in net position. Property and sales tax revenues were $574,389 and $1,225,752, respectively, in 2024 and $611,536 and $1,230,125, respectively, in 2023.

Net Position

Net position of the BOT is classified in four components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the BOT, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Income Taxes

As an essential government function, the BOT 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 BOT is subject to federal income tax on any unrelated business taxable income.

Note 2. Lease and Management Agreement

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Republic County, Kansas, and leased to GPRC by the BOT. The lease agreement provides that GPRC will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The original lease term was for a period of five years through September 30, 2005, with two renewal option periods of five years each. The lease was renewed on January 1, 2016, for a period of five years through December 31, 2020, with two renewal option periods of five years each through December 31, 2025 and December 31, 2030, respectively. The lease was renewed on January 1, 2021. The BOT leases the hospital facilities to GPRC for $1. In connection with this lease, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPRC, has a management agreement with GPRC. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPRC upon commencement of the original term, October 1, 2000. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the BOT.

Note 3. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The BOT 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.

The BOT maintains its bank deposits (checking and saving accounts and certificates of deposit) with financial institutions which, at times, exceed federally insured limits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the BOT is periodically reviewed and the BOT believes it is not exposed to any significant credit risk on these balances.

At September 30, 2024 and 2023, respectively, $3,626,049 and $1,619,232 of the BOT bank balances of $6,053,708 and $2,617,819 were exposed to custodial credit risk as follows:

	2024	2023
Uninsured and uncollateralized	$ 1,328,518	$ 865
Uninsured and collateral held on behalf of the pledging financial institution in the BOT's name	2,297,531	1,618,367
	$ 3,626,049	$ 1,619,232

Investments

The BOT may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At September 30, 2024 and 2023, the BOT had $0 and $3,994,930, respectively, of investments in U.S. Treasury obligations with a maturity date of less than one year.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets at September 30, 2024 and 2023, as follows:

	2024	2023
Carrying value		
Deposits	$ 6,050,507	$ 2,617,819
Investments in U.S. Treasury obligations	-	3,994,930
	$ 6,050,507	$ 6,612,749

	2024	2023
Included in the following balance sheet captions		
Cash	$ 5,203,610	$ 1,802,883
Short-term certificates of deposit	846,897	814,936
Short-term investments	-	3,994,930
	$ 6,050,507	$ 6,612,749

Note 4. Capital Assets

Capital assets activity for the years ended September 30, was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land and improvements	$ 311,774	$ -	$ -	$ -	$ 311,774
Buildings	1,971,095	-	-	-	1,971,095
Fixed equipment	313,735	23,154	-	-	336,889
Moveable equipment	26,184	-	-	-	26,184
	2,622,788	23,154	-	-	2,645,942
Less accumulated depreciation					
Land improvements	293,453	5,003	-	-	298,456
Buildings	1,641,971	42,814	-	-	1,684,785
Fixed equipment	309,002	2,036	-	-	311,038
Moveable equipment	26,184	-	-	-	26,184
	2,270,610	49,853	-	-	2,320,463
Capital Assets, Net	$ 352,178	$ (26,699)	$ -	$ -	$ 325,479

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land and improvements	$ 311,774	$ -	$ -	$ -	$ 311,774
Buildings	1,971,095	-	-	-	1,971,095
Fixed equipment	313,735	-	-	-	313,735
Moveable equipment	26,184	-	-	-	26,184
	2,622,788	-	-	-	2,622,788
Less accumulated depreciation					
Land improvements	286,908	6,545	-	-	293,453
Buildings	1,604,399	37,572	-	-	1,641,971
Fixed equipment	308,317	685	-	-	309,002
Moveable equipment	26,184	-	-	-	26,184
	2,225,808	44,802	-	-	2,270,610
Capital Assets, Net	$ 396,980	$ (44,802)	$ -	$ -	$ 352,178

Note 5. Long-term Debt

The following is a summary of long-term debt transactions for the BOT for the years ended September 30, 2024 and 2023:

	2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Hospital Revenue Bonds Series 2011	$ 155,000	$ -	$ (50,000)	$ 105,000	$ 50,000
Notes payable to bank	3,843,394	-	(350,404)	3,492,990	358,774
Financed capital purchases	2,138,526	284,575	(131,411)	2,291,690	159,173
Total long-term debt	$ 6,136,920	$ 284,575	$ (531,815)	$ 5,889,680	$ 567,947

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Hospital Revenue Bonds Series 2011	$ 200,000	$ -	$ (45,000)	$ 155,000	$ 50,000
Notes payable to bank	2,698,341	4,014,309	(2,869,256)	3,843,394	348,391
Financed capital purchases	2,247,811	-	(109,285)	2,138,526	98,348
Total long-term debt	$ 5,146,152	$ 4,014,309	$ (3,023,541)	$ 6,136,920	$ 496,739

Revenue Bonds Payable – Series 2011

The Series 2011 bonds payable consist of Hospital Revenue Bonds (Bonds) in the original amount of $600,000 dated July 2011, with interest of 4.25%. The Bonds are payable in annual installments through June 2026. Outstanding bonds are redeemable at the BOT option at any time at a redemption price of 100%.

Scheduled principal repayments on the revenue bond obligations as of September 30, 2024, were as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2025	$ 54,463	$ 50,000	$ 4,463
2026	57,338	55,000	2,338
	$ 111,801	$ 105,000	$ 6,801

Notes Payable to Bank

The BOT periodically borrows funds from banks to finance capital assets acquisitions. The notes payable to bank were established as draw down notes not to exceed $2,012,980 and $2,001,329, respectively. The initial maturity dates on the notes were December 31, 2021 and November 8, 2022, respectively, but these dates were extended to December 19, 2022, for both notes. Effective December 19, 2022, the $2,012,980 note was renewed, with a maturity date of December 19, 2029, and principal and interest payments of $157,833 payable semiannually. Effective December 19, 2022, the $2,001,329 note was renewed, with a maturity date of December 19, 2042, and principal and interest payments of $64,102 payable semiannually. The notes payable bear an interest rate of 2.5%.

Scheduled principal repayments on the notes payable to bank as of September 30, 2024, were as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2025	$ 443,870	$ 358,774	$ 85,096
2026	443,871	367,800	76,071
2027	443,871	377,052	66,819
2028	443,871	386,538	57,333
2029	443,871	396,262	47,609
2030-2034	796,053	639,177	156,876
2035-2039	641,020	550,349	90,671
2040-2043	437,744	417,038	20,706
	$ 4,094,171	$ 3,492,990	$ 601,181

Financed Capital Purchases

Financed capital purchases are in the form of a note payable to bank. The notes have a maturity date of 2029 and 2039. Principal and interest is payable monthly. The interest rate on the notes range from 3.95% to 6.20%. The notes are secured by certain capital assets.

The debt service requirements on financed capital purchases as of September 30, 2024, are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2025	$ 254,179	$ 159,173	$ 95,006
2026	254,251	166,844	87,407
2027	254,251	174,828	79,423
2028	254,252	183,207	71,045
2029	214,977	152,117	62,860
2030-2034	938,722	704,779	233,943
2035-2039	834,052	750,742	83,310
	$ 3,004,684	$ 2,291,690	$ 712,994

Note 6. Subsequent Events

GPRC acquired the assets of the Belleville Medical Clinic (Clinic) effective March 1, 2024. Substantially all Clinic employees became GPRC employees on the acquisition date. The Clinic will be operated as an outpatient department of GPRC.

Subsequent events have been evaluated through March 5, 2025, which is the date the financial statements were available to be issued.