Rooks County Health Center

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023

Rooks County Health Center
Contents
December 31, 2024 and 2023

Independent Auditor's Report **1**

Financial Statements

Balance Sheets 3

Statements of Revenues, Expenses and Changes in Net Position 4

Statements of Cash Flows 5

Notes to Financial Statements 7

Forvis Mazars, LLP
1551 N. Waterfront Parkway, Suite 300
Wichita, KS 67206
P 316.265.2811 | F 316.265.9405
forvismazars.us

Independent Auditor's Report

Board of Directors
Rooks County Health Center
Plainville, Kansas

Opinion

We have audited the accompanying financial statements of Rooks County Health Center, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Rooks County Health Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Rooks County Health Center as of December 31, 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). 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 Rooks County Health Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Rooks County Health Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Rooks County Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rooks County Health Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Forvis Mazars, LLP

Wichita, Kansas
July 22, 2025

Rooks County Health Center
Balance Sheets
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 7,288,251	$ 7,577,699
Cash held by RCHEA	237,638	285,026
Held by trustee for debt service	2,128	3,168
Patient accounts receivable, net of allowance; 2024 - $988,469; 2023 - $956,550	3,258,881	3,745,524
Property taxes receivable	676,322	677,580
Estimated amounts due from third-party payers	-	585,734
Supplies	327,138	351,183
Prepaid expenses and other	461,263	231,544
Total Current Assets	12,251,621	13,457,458
Noncurrent Cash and Investments		
Designated by Board of Directors	7,302,516	5,583,575
Held by Foundation	431,855	890,259
Held by Foundation for capital acquisitions	730,205	135,991
	8,464,576	6,609,825
Capital Assets, Net	11,517,073	11,814,609
Subscription Asset, Net	216,105	301,730
Leverage Loan Receivable	5,609,621	5,609,621
Total Assets	$ 38,058,996	$ 37,793,243

See Notes to Financial Statements

	2024	2023
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 911,060	$ 872,448
Current maturities of subscription liability	144,139	171,637
Accounts payable	554,490	516,323
Accrued salaries and benefits	659,750	488,221
Accrued compensated absences	706,243	600,058
Other accrued liabilities	168,385	609,585
Unearned revenue	160,000	747,623
Estimated amounts due to third-party payers	814,864	-
Total Current Liabilities	4,118,931	4,005,895
Long-term Debt	19,540,514	20,451,574
Subscription Liability	-	144,139
Total Liabilities	23,659,445	24,601,608
Deferred Inflows of Resources		
Property taxes	676,322	677,580
Net Position		
Net investment in capital assets	4,268,876	3,436,702
Restricted - expendable for		
Debt service	2,128	3,168
Capital acquisitions	730,205	135,991
Unrestricted	8,722,020	8,938,194
Total Net Position	13,723,229	12,514,055
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 38,058,996	$ 37,793,243

Rooks County Health Center
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2024 - $1,070,877; 2023 - $1,185,376	$ 20,511,181	$ 19,665,263
Other	1,805,618	309,895
Total Operating Revenues	22,316,799	19,975,158
Operating Expenses		
Salaries and wages	10,656,028	9,750,390
Employee benefits	2,297,454	2,170,212
Supplies and other	8,455,716	7,788,752
Depreciation	1,491,454	1,716,251
Amortization	189,968	71,756
Total Operating Expenses	23,090,620	21,497,361
Operating Loss	(773,821)	(1,522,203)
Nonoperating Revenues (Expenses)		
Property taxes	704,045	717,382
Investment income	651,699	484,305
Interest expense	(538,276)	(565,269)
Noncapital grants and gifts	1,165,527	411,645
Total Nonoperating Revenues	1,982,995	1,048,063
Increase (Decrease) in Net Position	1,209,174	(474,140)
Net Position, Beginning of Year	12,514,055	12,988,195
Net Position, End of Year	$ 13,723,229	$ 12,514,055

Rooks County Health Center
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 22,398,422	$ 19,243,099
Payments to suppliers and contractors	(8,608,718)	(7,458,765)
Payments to employees	(13,116,968)	(11,510,394)
Other payments, net	1,203,490	1,043,434
Net Cash Provided by Operating Activities	1,876,226	1,317,374
Cash Flows From Noncapital Financing Activities		
Property taxes	704,045	717,382
Noncapital grants and gifts	1,165,527	411,645
Net Cash Provided by Noncapital Financing Activities	1,869,572	1,129,027
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(872,448)	(844,711)
Interest paid on long-term debt	(538,276)	(565,269)
Purchases of capital assets	(1,189,415)	(380,766)
Net Cash Used in Capital and Related Financing Activities	(2,600,139)	(1,790,746)
Cash Flows From Investing Activities		
Interest received on investments	651,699	484,305
Purchases of investments	(1,832,094)	(4,964,465)
Principal payment subscription liability	(275,980)	(57,710)
Net Cash Used in Investing Activities	(1,456,375)	(4,537,870)
Decrease in Cash and Cash Equivalents	(310,716)	(3,882,215)
Cash and Cash Equivalents, Beginning of Year	8,824,548	12,706,763
Cash and Cash Equivalents, End of Year	$ 8,513,832	$ 8,824,548

Rooks County Health Center
Statements of Cash Flows – Continued
Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 7,288,251	$ 7,577,699
Cash held by RCHEA in current assets	237,638	285,026
Cash held by trustee for debt service in current assets	2,128	3,168
Cash designated by Board of Directors in noncurrent cash and investments	985,815	958,655
	$ 8,513,832	$ 8,824,548
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (773,821)	$ (1,522,203)
Amortization	189,968	71,756
Depreciation	1,491,454	1,716,251
Provision for uncollectible accounts	1,070,877	1,185,376
Changes in operating assets and liabilities		
Patient accounts receivable	(584,234)	(2,144,550)
Estimated amounts due from and to third-party payers	1,400,598	537,010
Supplies	24,045	66,754
Prepaid expenses and other	(229,719)	237,935
Accounts payable and accrued expenses	(125,319)	421,422
Unearned revenue	(587,623)	747,623
Net Cash Provided by Operating Activities	$ 1,876,226	$ 1,317,374

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

Nature of Operations and Reporting Entity

Plainville Rural Hospital District No. 1 d/b/a Rooks County Health Center (Health Center) is a municipality of the state of Kansas and is governed by a Board of Directors (Board) who is elected by the residents of the District. The Health Center is licensed as a critical access hospital (CAH) and primarily earns revenues by providing inpatient, outpatient and emergency care services. The Health Center also owns and operates a limited care residential retirement facility.

Rooks County Healthcare Endowment Association (RCHEA) is a 501(c)(3) nonprofit corporation. The Health Center management performs the day-to-day management of RCHEA's operations and the debt of RCHEA is expected to be repaid entirely with the resources of the Health Center through lease payments made to RCHEA for the use of certain hospital space. RCHEA is a separate legal entity but is financially integrated with the Health Center and is reported as a blended component unit of the Health Center and does not issue separate financial statements. The sole corporate member of RCHEA is the Health Center. RCHEA has the same fiscal year as the Health Center.

Basis of Accounting and Presentation

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

Budgetary Principles

The Health Center is required by state statutes to adopt annual budgets on or before August 25 for the ensuing calendar year. The Board may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of individual funds.

For budget purposes, the general fund utilizes the modified accrual basis of accounting. The modification in such method from the accrual basis is that revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the calendar year. There were no material encumbrances at December 31, 2024 and 2023. Budgeted revenue and expenditure amounts represent the original budget adopted by the Board.

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 deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted of certificates of deposit and money market funds.

Noncurrent Cash and Investments and Investment Income

Noncurrent cash and investments consist of funds internally designated by the Board for future capital acquisitions and employee benefits, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Designated by Board funds include certificates of deposit carried at amortized cost. Noncurrent cash and investments also include assets held by the Rooks County Healthcare Foundation (Foundation), restricted funds by donors for capital acquisitions and restricted funds for debt service.

Investment income consists of interest income earned on cash and noncurrent cash and investments.

Patient Accounts Receivable

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

Supplies

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

Capital Assets (Including Intangible Assets)

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

Land improvements	5-25 years
Buildings	5-40 years
Equipment	5-25 years
Intangible asset	20 years

Subscription Assets

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

Capital and Subscription Asset Impairment

The Health Center evaluates capital and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Compensated Absences

The Health Center's policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in the case of accumulated vacation, 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. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

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

The Health Center is self-insured for a portion of its exposure to risk of loss from employee health and dental claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Deferred Inflows of Resources

The Health Center reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied against members of the tax district.

Net Position

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

- Net investment in capital assets consists of capital and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- 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 Health Center, 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.

Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

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

Property Taxes

The Health Center received approximately 3% of its financial support from property taxes in 2024 and 2023.

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the county. Property owners have the option of paying one half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the county treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property and are recorded as taxes receivable, net of amounts received and anticipated delinquencies. Taxes receivable are also deferred and amortized ratably to income throughout the fiscal year.

Income Taxes

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

RCHEA has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, RCHEA is subject to federal income tax on any unrelated business taxable income. RCHEA files tax returns in the U.S. federal jurisdiction.

Note 2. 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 Health Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

At December 31, 2024 and 2023, respectively, $8,451,578 and $7,582,750 of the Health Center's bank balances of $9,674,539 and $8,777,081 were exposed to custodial credit risk as follows:

	2024	2023
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Health Center's name	$ 8,451,578	$ 7,582,750

Cash Held by RCHEA

At December 31, 2024, RCHEA's cash accounts were fully insured.

Investments

The Health Center 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.

Investments include funds designated by the Board, which consist of certificates of deposit carried at amortized cost. Investments also include assets held by the Foundation, which are pooled investments consisting primarily of certificates of deposit and money market mutual funds (*Note 13*), and restricted funds for debt service, which consist primarily of money market mutual funds.

Summary of Carrying Values

The carrying values of deposits, including cash held by RCHEA, and investments shown above are included in the balance sheets as follows:

	2024	2023
Carrying value		
Deposits	$ 9,561,118	$ 8,862,726
Investments	6,431,475	5,612,992
	$ 15,992,593	$ 14,475,718

	2024	2023
Included in the following balance sheet captions		
Cash and cash equivalents	$ 7,288,251	$ 7,577,699
Cash held by RCHEA	237,638	285,026
Designated by Board of Directors	7,302,516	5,583,575
Held by Foundation	1,162,060	1,026,250
Held by trustee for debt service	2,128	3,168
	$ 15,992,593	$ 14,475,718

Note 3. Cash Held by RCHEA

Reserve Funds

As a requirement of loan closing for the Bridge Loan and Notes A and B (discussed in *Note 7*), reserve funds were created to pay the annual compliance, audit and tax fees as well as fund the Health Center's Bridge Loan principal and interest payments, which was paid in full during 2019. The funds are pledged to the lender as additional security for the loans. At December 31, 2024 and 2023, the balance of the reserve funds was $237,638 and $285,026, respectively.

Note 4. Patient Accounts Receivable

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

	2024	2023
Medicare	$ 1,765,540	$ 2,555,156
Medicaid	99,463	148,987
Blue Cross	533,982	594,214
Other third-party payers	1,118,679	673,890
Self-pay	729,686	729,827
	4,247,350	4,702,074
Less allowance for uncollectible accounts	988,469	956,550
	$ 3,258,881	$ 3,745,524

Note 5. Capital and Subscription Assets

Capital assets activity for the years ended December 31, 2024 and 2023, was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 51,000	$ -	$ -	$ -	$ 51,000
Land improvements	1,569,527	20,000	-	-	1,589,527
Buildings	20,551,277	194,747	-	-	20,746,024
Equipment	13,259,851	617,932	-	-	13,877,783
Intangible asset	364,874	-	-	-	364,874
Construction in progress	24,396	356,736	-	-	381,132
	35,820,925	1,189,415	-	-	37,010,340
Less accumulated depreciation					
Land improvements	1,429,197	17,113	-	-	1,446,310
Buildings	11,827,919	811,750	-	-	12,639,669
Equipment	10,533,316	639,844	-	-	11,173,160
Intangible asset	215,884	18,244	-	-	234,128
	24,006,316	1,486,951	-	-	25,493,267
Capital assets, net	$ 11,814,609	$ (297,536)	$ -	$ -	$ 11,517,073

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 51,000	$ -	$ -	$ -	$ 51,000
Land improvements	1,569,527	-	-	-	1,569,527
Buildings	19,840,457	24,940	-	685,880	20,551,277
Equipment	13,396,689	259,687	(396,525)	-	13,259,851
Intangible asset	364,874	-	-	-	364,874
Construction in progress	614,137	96,139	-	(685,880)	24,396
	35,836,684	380,766	(396,525)	-	35,820,925
Less accumulated depreciation					
Land improvements	1,413,126	16,071	-	-	1,429,197
Buildings	10,933,299	894,620	-	-	11,827,919
Equipment	10,147,862	782,184	(396,730)	-	10,533,316
Intangible asset	197,640	18,244	-	-	215,884
	22,691,927	1,711,119	(396,730)	-	24,006,316
Capital assets, net	$ 13,144,757	$ (1,330,353)	$ 205	$ -	$ 11,814,609

Subscription assets activity for the years ended December 31, 2024 and 2023, was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 373,486	$ 104,343	$ -	$ -	$ 477,829
Less accumulated amortization					
Subscription IT assets	71,756	189,968	-	-	261,724
Subscription assets, net	$ 301,730	$ (85,625)	$ -	$ -	$ 216,105

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ -	$ 373,486	$ -	$ -	$ 373,486
Less accumulated amortization					
Subscription IT assets	-	71,756	-	-	71,756
Subscription assets, net	$ -	$ 301,730	$ -	$ -	$ 301,730

Note 6. Leverage Loan Receivable

The Health Center entered into an agreement on August 2, 2018, to lend $5,609,620 to COCRF Investor 117, LLC, (Leverage Lender). Interest of 1% accrues on the loan receivable balance from the date of the issuance through maturity, with interest only payments beginning October 1, 2018, and paid quarterly through December 31, 2024. Beginning on April 1, 2025, and continuing until the maturity date of December 31, 2052, the Leverage Lender will make quarterly payments of principal and interest sufficient to amortize the notes by the maturity date. The note is secured by equity interests of 99.99% of CHHS Subsidiary CDE 41, LLC.

Note 7. Long-term Obligations

The following is a summary of long-term debt transactions for the Health Center and RCHEA for the years ended December 31, 2024 and 2023:

	2024					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Health Center						
Series 2018A Refunding Revenue Bonds	$ 6,780,000	$ -	$ (730,000)	$ 6,050,000	$ 765,000	$ 5,285,000
Series 2020C Refunding Revenue Bonds	6,590,022	-	(142,448)	6,447,574	146,060	6,301,514
Subscription liabilities	315,776	104,343	(275,980)	144,139	144,139	-
	$ 13,685,798	$ 104,343	$ (1,148,428)	$ 12,641,713	$ 1,055,199	$ 11,586,514
RCHEA						
Note payable A	$ 5,609,620	$ -	$ -	$ 5,609,620	$ -	$ 5,609,620
Note payable B	2,344,380	-	-	2,344,380	-	2,344,380
	$ 7,954,000	$ -	$ -	$ 7,954,000	$ -	$ 7,954,000
	$ 21,639,798	$ 104,343	$ (1,148,428)	$ 20,595,713	$ 1,055,199	$ 19,540,514

	2023					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Health Center						
Series 2018A Refunding Revenue Bonds	$ 7,485,000	$ -	$ (705,000)	$ 6,780,000	$ 730,000	$ 6,050,000
Series 2020C Refunding Revenue Bonds	6,729,733	-	(139,711)	6,590,022	142,448	6,447,574
Subscription liabilities	-	373,486	(57,710)	315,776	171,637	144,139
	$ 14,214,733	$ 373,486	$ (902,421)	$ 13,685,798	$ 1,044,085	$ 12,641,713
RCHEA						
Note payable A	$ 5,609,620	$ -	$ -	$ 5,609,620	$ -	$ 5,609,620
Note payable B	2,344,380	-	-	2,344,380	-	2,344,380
	$ 7,954,000	$ -	$ -	$ 7,954,000	$ -	$ 7,954,000
	$ 22,168,733	$ 373,486	$ (902,421)	$ 21,639,798	$ 1,044,085	$ 20,595,713

Hospital Refunding Revenue Bonds Series 2018A

The Hospital Refunding Revenue Bonds Series 2018A (2018A Bonds) were issued in the principal amount of $9,940,000. The 2018A Bonds are payable in semi-annual installments through August 1, 2031, including interest at rates from 3.85% - 5.35%. The 2018A Bonds are secured by the net revenues of the Health Center.

Hospital Revenue Bonds Series 2020C

The Hospital Refunding Revenue Bonds Series 2020C (2020C Bonds) were issued in the original amount of $7,000,000, dated July 28, 2020, which bear interest at 2.25% per annum. The 2020C Bonds are due in annual installments, including interest, through July 28, 2055. The Health Center issued the 2020C Bonds to refund the 2018B Bonds originally issued to fund the Phase II remodel project in 2019. The 2020C Bonds are secured by the net revenues of the Health Center.

2018A Bonds and 2020C Bonds

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the balance sheets. The indenture agreements also require the Health Center to comply with certain restrictive covenants such as a historical debt-service coverage of at least 1.25 and a minimum days' cash on hand of at least 45 days. The Health Center was compliant with the historical debt service coverage ratio and the minimum days' cash on hand covenant for the years ended December 31, 2024 and 2023.

Debt Service Requirements

Debt service requirements on long-term debt other than RCHEA notes payable A and B as of December 31, 2024 and 2023, are as follows:

Year Ending December 31,	Total to be Paid	Bonds	
		Principal	Interest
2025	$ 1,301,559	$ 911,060	$ 390,499
2026	1,294,401	939,346	355,055
2027	1,295,986	977,706	318,280
2028	1,300,790	1,020,772	280,018
2029	1,299,232	1,059,647	239,585
2030 - 2034	3,461,210	2,758,414	702,796
2035 - 2039	1,455,650	953,881	501,769
2040 - 2044	1,455,650	1,065,990	389,660
2045 - 2049	1,455,650	1,191,748	263,902
2050 - 2054	1,455,650	1,332,052	123,598
2055	293,415	286,958	6,457
	$ 16,069,193	$ 12,497,574	$ 3,571,619

RCHEA Notes Payable A and B

RCHEA (a qualified active low-income community business) executed loan agreements on August 2, 2018, that provide for borrowing of $5,609,620 (Note A) and $2,344,380 (Note B) from CHHS Subsidiary CDE 41, LLC. The notes are secured by a leasehold mortgage on certain areas of the hospital property.

Under the terms of the loan agreements, the loans have an interest rate of 1.44%, payable quarterly. RCHEA is not permitted to prepay any portion of the principal of the loans until the seventh anniversary date. Interest only payments of $20,188 and $8,437 are payable quarterly in arrears beginning September 1, 2018 through September 1, 2025, for Note A and Note B, respectively. For the period October 1, 2025 through December 1, 2052, principal and interest of $62,308 is due for Note A and $26,040 for Note B, respectively.

Under the terms of the loan agreements, RCHEA has certain compliance requirements, including compliance reporting and maintaining its status as a qualified active low-income community business as defined by the Internal Revenue Code.

At the end of the seven-year term, a put/call agreement may be exercised, whereby Capital One, National Association's interest in COCRF Investor 117, LLC (member of CHHS Subsidiary CDE 41, LLC) is sold to RCHEA.

Subscription Liability Requirements

The Hospital has subscription-based information technology arrangements (SBITAs), the term of which expire in 2025. The SBITAs require monthly payments of approximately $15,000. Subscription liability requirements as of December 31, 2024 are as follows:

	Total to be Paid	Principal	Interest
Year Ending December 31, 2025	$ 147,488	$ 144,139	$ 3,349

Note 8. Employee Health Claims

The Health Center sponsors a self-insured employee health insurance plan. Substantially all of the Health Center's employees and their dependents are eligible to participate in the Health Center's employee health insurance plan. The Health Center reinsures a portion of its risk under that plan. The reinsurance arrangement generally covers claims totaling over $30,000 for each covered individual on an annual basis. The reinsurance arrangement also covers aggregate annual claims of the plan in excess of an amount determined in relation to the number of individuals participating in the plan during the year. A provision is accrued for self-insured employee health claims including both claims reported, and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term.

Activity in the Health Center's accrued employee health claims liability during the years ended December 31, 2024 and 2023, is summarized as follows:

	2024	2023
Balance, beginning of year	$ 160,000	$ 160,000
Current year claims incurred and changes in estimates for claims incurred in prior years	1,558,262	1,568,742
Claims and expenses paid	(1,558,262)	(1,568,742)
Balance, end of year	$ 160,000	$ 160,000

Note 9. Professional Liability Coverage and Claims

The Health Center purchases professional liability insurance under a claims-made policy with a fixed premium, which provides $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for the policy years ended December 31, 2024 and 2023. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for the policy years ending December 31, 2024 and 2023.

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

Note 10. Net Patient Service Revenue

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

Medicare. The Health Center is recognized as a CAH. Under CAH rules, inpatient acute care and skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules and cost reimbursement methodologies, subject to certain limitations. The Health Center is reimbursed for most services at tentative rates with final settlement determined after submission of an annual cost report by the Health Center and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future.

Approximately 55% and 49% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2024 and 2023, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 11. Charity Care

The costs of charity care provided under the Health Center's charity care policy were approximately $77,000 and $75,000 for December 31, 2024 and 2023, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 12. Pension Plans

The Health Center provides a defined contribution pension plan (401(a) plan) for all eligible employees. Eligibility is established for all employees who are at least 21 years of age and have completed one year of service. The Health Center makes contributions up to 4% of the annual compensation that eligible employees voluntarily defer into the additional defined contribution plan as described below. Benefits are funded by a money purchase annuity with an insurance company. Employees do not contribute to this 401a plan. Contributions to the plan made by the Health Center vest based upon the plan's vesting schedule and the employee's years of service with the Health Center. Contributions actually made by the Health Center aggregated approximately $281,000 and $252,000 during 2024 and 2023, respectively. The Health Center does not control the plan assets.

The Health Center provides one additional defined contribution plan (457 plan). The Health Center does not make contributions to the 457 plan. Contributions made by plan members aggregated approximately $494,000 and $415,000 during 2024 and 2023, respectively. The Health Center does not control the plan assets.

Note 13. Rooks County Healthcare Foundation

The Rooks County Healthcare Foundation (Foundation) is a 501(c)(3) nonprofit health organization, established to perpetuate the advancement of health, health care and medical education, research and welfare services for the residents of Rooks County, Kansas. The Foundation is a separate legal entity. The Foundation is not considered a component unit of the Health Center. From time to time, the Foundation will assist the Health Center in fund raising activities. As part of those fund raising activities, the Foundation will receive and hold donor contributed funds for the benefit of the Health Center. Those funds are reflected on the balance sheets as funds held by Foundation and consist of pooled investments containing certificates of deposit and money market mutual funds.

Note 14. Assets Held with Community Foundation

In 2014, the Health Center entered into a Designated Fund Agreement (the Agreement) with Heartland Community Foundation (Community Foundation) whereby an irrevocable contribution of approximately $235,000 was made of permanently endowed funds to the Community Foundation. Under the Agreement, the Health Center has requested 5% of the net fair market value to be distributed to the Health Center each year. The Community Foundation has been granted variance power under the terms of the Agreement.

Note 15. New Market Tax Credits

On August 2, 2018, the Health Center and its newly formed subsidiary company, RCHEA, entered into transactions which generated "New Markets Tax Credits" (NMTCs) under Section 45D of the Internal Revenue Service Code of 1986, as amended (Section 45D). The transaction was initiated by the commercial loan, referred to as the Bridge Loan, to the Health Center from a financial institution for $2,400,000. These funds were combined with internal funds of the Health Center for a total of $5,609,620 which was loaned to the Leverage Lender. The Leverage Lender used this loan to contribute to a third party (Sub-CDE) as the Qualified Equity Investment (QEI) under Section 45D. The Sub-CDE then funded loans totaling $7,954,000 (Note A and Note B) to RCHEA, the Qualified Low-Income Business under Section 45D. The transaction was structured as a 30-year debt financing with a 7-year NMTC compliance period, after which the Health Center will have the option to acquire all membership rights of the investment fund and forgive the related debt. RCHEA used the proceeds to facilitate the remodel project of the hospital facility. The debt is guaranteed by the Health Center. The remodeled hospital facility space qualifies as low-income property under Section 45D.

Note 16. Condensed Combining Information

The following tables include condensed combining balance sheet information for the Health Center and its blended component unit, RCHEA, as of December 31, 2024 and 2023:

	December 31, 2024			
	Health Center	**RCHEA**	**Eliminations**	**Total**
Assets				
Current assets	$ 12,013,983	$ 237,638	$ -	$ 12,251,621
Noncurrent cash and investments	8,464,576	-	-	8,464,576
Capital assets, net	6,174,176	5,342,897	-	11,517,073
Subscription assets, net	216,105	-		216,105
Leverage loan receivable	5,609,621	-	-	5,609,621
Total assets	$ 32,478,461	$ 5,580,535	$ -	$ 38,058,996
Liabilities				
Current liabilities	$ 4,118,931	$ -	$ -	$ 4,118,931
Long-term debt	11,586,514	7,954,000	-	19,540,514
Total liabilities	15,705,445	7,954,000	-	23,659,445
Deferred Inflows of Resources	676,322	-	-	676,322
Net Position	16,096,694	(2,373,465)	-	13,723,229
Total liabilities, deferred inflows of resources and net position	$ 32,478,461	$ 5,580,535	$ -	$ 38,058,996

	December 31, 2023			
	Health Center	RCHEA	Eliminations	Total
Assets				
Current assets	$ 13,172,432	$ 285,026	$ -	$ 13,457,458
Noncurrent cash and investments	6,609,825	-	-	6,609,825
Capital assets, net	5,822,712	5,991,897	-	11,814,609
Subscription assets, net	301,730	-	-	301,730
Leverage loan receivable	5,609,621	-	-	5,609,621
Total assets	$ 31,516,320	$ 6,276,923	$ -	$ 37,793,243
Liabilities				
Current liabilities	$ 4,005,895	$ -	$ -	$ 4,005,895
Long-term debt	12,497,574	7,954,000	-	20,451,574
Subscription liability	144,139	-		144,139
Total liabilities	16,647,608	7,954,000	-	24,601,608
Deferred Inflows of Resources	677,580	-	-	677,580
Net Position (Deficit)	14,191,132	(1,677,077)	-	12,514,055
Total liabilities, deferred inflows of resources and net position	$ 31,516,320	$ 6,276,923	$ -	$ 37,793,243

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Health Center and its blended component unit, RCHEA, for the years ended December 31, 2024 and 2023:

	December 31, 2024			
	Health Center	RCHEA	Eliminations	Total
Operating Revenues	$ 22,316,799	$ -	$ -	$ 22,316,799
Operating Expenses	(22,427,115)	(663,505)	-	(23,090,620)
Nonoperating Revenues (Expenses)	2,096,712	(113,717)	-	1,982,995
Intercompany Rents	(80,834)	80,834	-	-
Increase (Decrease) in Net Position	1,905,562	(696,388)	-	1,209,174
Net Position, Beginning of Year	14,191,132	(1,677,077)	-	12,514,055
Net Position, End of Year	$ 16,096,694	$ (2,373,465)	$ -	$ 13,723,229

	December 31, 2023			
	Health Center	**RCHEA**	**Eliminations**	**Total**
Operating Revenues	$ 19,975,158	$ -	$ -	$ 19,975,158
Operating Expenses	(20,834,277)	(663,084)	-	(21,497,361)
Nonoperating Revenues (Expenses)	1,161,056	(112,993)	-	1,048,063
Intercompany Rents	(80,267)	80,267	-	-
Increase (Decrease) in Net Position	221,670	(695,810)	-	(474,140)
Net Position, Beginning of Year	13,969,462	(981,267)	-	12,988,195
Net Position, End of Year	$ 14,191,132	$ (1,677,077)	$ -	$ 12,514,055

The following tables include condensed combining statements of cash flows information for the Health Center and its blended component unit, RCHEA, as of December 31, 2024 and 2023:

	December 31, 2024			
	Health Center	**RCHEA**	**Eliminations**	**Total**
Net cash provided by (used in):				
Operating Activities	$ 1,890,731	$ (14,505)	$ -	$ 1,876,226
Noncapital Financing Activities	1,788,738	80,834	-	1,869,572
Capital and Related Financing Activities	(2,485,636)	(114,503)	-	(2,600,139)
Investing Activities	(1,457,161)	786	-	(1,456,375)
Increase (Decrease) in Cash and Cash Equivalents	(263,328)	(47,388)	-	(310,716)
Cash and Cash Equivalents, Beginning of Year	8,539,522	285,026	-	8,824,548
Cash and Cash Equivalents, End of Year	$ 8,276,194	$ 237,638	$ -	$ 8,513,832

	December 31, 2023			
	Health Center	RCHEA	Eliminations	Total
Net cash provided by (used in):				
Operating Activities	$ 1,331,458	$ (14,084)	$ -	$ 1,317,374
Noncapital Financing Activities	1,048,760	80,267	-	1,129,027
Capital and Related Financing Activities	(1,676,243)	(114,503)	-	(1,790,746)
Investing Activities	(4,539,380)	1,510	-	(4,537,870)
Decrease in Cash Cash Equivalents	(3,835,405)	(46,810)	-	(3,882,215)
Cash and Cash Equivalents, Beginning of Year	12,374,927	331,836	-	12,706,763
Cash and Cash Equivalents, End of Year	$ 8,539,522	$ 285,026	$ -	$ 8,824,548

Note 17. Compliance with Budgetary Statutes

Kansas statutes require that fixed budgets be legally adopted for all enterprise and debt service funds. Budgets are prepared utilizing the modified accrual basis of accounting. Kansas statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures, which is prepared on a calendar year basis. Calendar year budgeted expenditures are compared to the Health Center's enterprise fund, which are on an annualized calendar year basis as follows:

	2024		
	Actual	Budget	Variance Under (Over)
Employee Benefits			
Revenues			
Taxes	$ 704,045	$ 676,322	$ (27,723)
Expenses			
Employee benefits	704,045	676,322	(27,723)
Excess (deficit) of revenues over expenses	$ -	$ -	$ -

	2023		
	Actual	Budget	Variance Under (Over)
Employee Benefits			
Revenues			
Taxes	$ 717,382	$ 677,580	$ (39,802)
Expenses			
Employee benefits	717,382	677,580	(39,802)
Excess (deficit) of revenues over expenses	$ -	$ -	$ -