Kiowa County Memorial Hospital, A Component Unit of Kiowa County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

forvis mazars

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Independent Auditor's Report

Board of Trustees
Kiowa County Memorial Hospital
Greensburg, Kansas

Opinion

We have audited the financial statements of Kiowa County Memorial Hospital (KCMH), a component unit of Kiowa County, Kansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise KCMH'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 KCMH as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in *Note 12* to the financial statements, during the year ended December 31, 2023, Kiowa County Memorial Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KCMH'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 KCMH'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 KCMH'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 the 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
June 21, 2024

Kiowa County Memorial Hospital,
A Component Unit of Kiowa County, Kansas
Balance Sheets
December 31, 2023 and 2022

	2023	2022 (As Restated)
Assets		
Current Assets		
Cash	$ 1,311,735	$ 2,736,358
Short-term certificates of deposit	2,718,950	1,591,495
Patient accounts receivable, net of allowance; 2023 – $255,732; 2022 – $247,512	1,564,854	1,163,411
Intergovernmental receivable	1,011,810	1,047,060
Estimated amounts due from third-party payers	-	235,000
Supplies	231,075	187,453
Prepaid expenses and other	497,206	341,449
Total current assets	7,335,630	7,302,226
Noncurrent Cash and Investments		
Funds held by County for debt service	-	115,630
Cash restricted for specific operating activities	54,116	147
Total noncurrent cash	54,116	115,777
Capital Assets, Net	6,343,262	7,321,731
Subscription Assets, Net	476,848	778,016
Other Assets		
Other noncurrent assets	-	1,534
Total assets	$ 14,209,856	$ 15,519,284

See Notes to Financial Statements

	2023	2022
		(As Restated)
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current portion of subscription liability	$ 309,532	$ 297,460
Current maturities of long-term debt	-	40,615
Accounts payable	145,697	242,727
Accrued expenses	776,265	574,398
Estimated amounts due to third-party payers	825,000	-
Total current liabilities	2,056,494	1,155,200
Long-term Debt	-	1,358,624
Subscription Liability	186,330	495,863
Total liabilities	2,242,824	3,009,687
Deferred Inflows of Resources		
Intergovernmental property taxes	1,011,810	1,047,060
Net Position		
Net investment in capital assets	6,324,248	5,907,185
Restricted - expendable for		
Debt service	-	115,630
Specific operating activities	54,116	-
Unrestricted	4,576,858	5,439,722
Total net position	10,955,222	11,462,537
Total liabilities, deferred inflows of resources and net position	$ 14,209,856	$ 15,519,284

Kiowa County Memorial Hospital,
A Component Unit of Kiowa County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
		(As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts, 2023 – $246,375; 2022 – $101,850	$ 9,381,717	$ 7,478,642
Other	1,098,899	891,680
Total operating revenues	10,480,616	8,370,322
Operating Expenses		
Salaries and wages	5,437,800	4,217,700
Supplies and other	5,348,565	4,884,156
Depreciation and amortization	1,541,735	1,502,337
Total operating expenses	12,328,100	10,604,193
Operating Loss	(1,847,484)	(2,233,871)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Kiowa County	1,248,987	1,194,866
Noncapital grants and gifts	63,885	272,687
Gain on sale of capital assets	-	8,638
Interest income	104,385	18,783
Interest expense	(77,088)	(94,689)
CARES Act funding	-	177,187
Total nonoperating revenues	1,340,169	1,577,472
Decrease in Net Position	(507,315)	(656,399)
Net Position, Beginning of Year	11,462,537	12,118,936
Net Position, End of Year	$ 10,955,222	$ 11,462,537

Kiowa County Memorial Hospital,
A Component Unit of Kiowa County, Kansas
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 10,040,274	$ 6,824,384
Payments to suppliers and contractors	(5,643,440)	(4,731,781)
Payments to and on behalf of employees	(5,235,933)	(4,288,083)
Other receipts, net	1,098,899	714,493
Net cash provided by (used in) operating activities	259,800	(1,480,987)
Cash Flows From Noncapital Financing Activities		
Property taxes supporting operations	1,248,987	1,194,866
Noncapital grants and gifts	63,885	272,687
Provider Relief Funds (*CARES Act*)	-	177,187
Net cash provided by noncapital financing activities	1,312,872	1,644,740
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(1,399,239)	(54,131)
Interest paid on long-term debt	(51,856)	(57,858)
Purchase of capital assets	(262,098)	(435,057)
Principal paid on subscription payable	(297,461)	(285,861)
Interest paid on subscription payable	(25,232)	(36,831)
Net cash used in capital and related financing activities	(2,035,886)	(869,738)
Cash Flows From Investing Activities		
Interest income received	104,385	18,783
Purchase of certificates of deposits	(1,127,455)	-
Proceeds from disposition of certificates of deposits	-	1,189,903
Proceeds from sale of capital assets	-	8,638
Net cash provided by (used in) investing activities	(1,023,070)	1,217,324
Increase (Decrease) in Cash	(1,486,284)	511,339
Cash, Beginning of Year	2,852,135	2,340,796
Cash, End of Year	$ 1,365,851	$ 2,852,135

Kiowa County Memorial Hospital,
A Component Unit of Kiowa County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 1,311,735	$ 2,736,358
Cash in noncurrent cash	54,116	115,777
Total cash	$ 1,365,851	$ 2,852,135
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (1,847,484)	$ (2,233,871)
Depreciation and amortization	1,541,735	1,502,337
Provision for uncollectible accounts	246,375	101,850
Other	1,534	65
Changes in operating assets and liabilities		
Patient accounts receivable, net	(647,818)	163,892
Estimated amounts due from and to third-party payers	1,060,000	(920,000)
Accounts payable and accrued expenses	104,837	(17,053)
Supplies and prepaid expenses and other	(199,379)	98,980
Unearned revenue	-	(177,187)
Net cash provided by (used in) operating activities	$ 259,800	$ (1,480,987)

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

Nature of Operations and Reporting Entity

Kiowa County Memorial Hospital (KCMH or the Hospital) is located in Greensburg, Kansas, and provides acute, swing-bed and physician clinic services. The Hospital is licensed as a critical access hospital (CAH). KCMH is a component unit of Kiowa County, Kansas (County). The Board of Trustees (BOT) of the Hospital is elected by the voters of the County.

Basis of Accounting and Presentation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows 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 Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2023 and 2022.

Certificates of Deposit

Certificates of deposits have maturities of one year or less and are carried at amortized cost.

Noncurrent Cash and Investments

Noncurrent cash and investments include cash restricted by donors/grantors for specific operating activities and funds held by trustee for debt service, which consist of money market accounts and investments in U.S. Government and agency obligations with a maturity of one year or less at time of acquisition carried at amortized cost.

Property Taxes and Noncapital Contributions – Kiowa County

KCMH and received approximately 11% and 12% of its financial support from intergovernmental revenue derived from property taxes levied by the County in 2023 and 2022, respectively. One hundred percent of these funds were used to support operations.

Property taxes are assessed by the County in November and are received beginning in January of the following year. Noncapital appropriations revenue is recognized in full in the year in which use is first permitted.

Risk Management

The Hospital 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; workers' compensation; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and dental claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or 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. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	5 – 20 years
Buildings	5 – 30 years
Fixed equipment	5 – 20 years
Major moveable equipment	3 – 20 years

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

Subscription Assets

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

Capital and Subscription Asset Impairment

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

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Expense and the related liability are recognized as vacation benefits are earned. 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 rates in effect at the balance sheet date.

Net Position

Net position of the Hospital 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 Hospital, 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 Hospital has agreements with third-party payers that provide for payments to the Hospital 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.

Provider Relief Funds (CARES Act)

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

Charity Care

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

Income Taxes

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

Note 2. Deposits

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

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

At December 31, 2023 and 2022, respectively, $3,436,541 and $3,866,250 of the Hospital's bank balances of $4,219,566 and $4,403,627 were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and collateral held by pledging financial institution's trust department or agent in the Hospital's name	$ 3,436,541	$ 3,866,250

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets at December 31, 2023 and 2022, as follows:

	2023	2022
Carrying value		
Deposits	$ 4,084,801	$ 4,328,000
Included in the following balance sheet captions		
Cash	$ 1,311,735	$ 2,736,358
Short-term certificates of deposit	2,718,950	1,591,495
Cash restricted for specific operating activities	54,116	147
	$ 4,084,801	$ 4,328,000

Note 3. Patient Accounts Receivable

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

	2023	2022
Medicare	$ 1,114,690	$ 685,178
Medicaid	80,760	31,168
Blue Cross	71,498	105,481
Other third-party payers	201,561	186,615
Self-pay	352,077	402,481
	1,820,586	1,410,923
Less allowance for uncollectible accounts	(255,732)	(247,512)
Patient accounts receivable, net	$ 1,564,854	$ 1,163,411

Note 4. Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided.

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

Medicare. The Hospital is recognized as a CAH. Under CAH rules, inpatient acute care, 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 a combination of fee schedules and cost reimbursement methodologies. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The clinics are recognized as rural health clinics (RHC). Under RHC rules, clinic services are paid based on allowable costs subject to certain limitations. Tentative reimbursement and final settlement are determined in a similar manner as for hospital services.

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. The Hospital is reimbursed at tentative rates with final settlements determined after submission of annual cost reports by the Hospital and reviews thereof by the Kansas Department of Health and Environment

Approximately 81% and 84% of net patient service revenue was from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The 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.

The composition of net patient service revenue by primary payor for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Medicare	$ 6,496,727	$ 5,545,453
Medicaid	872,614	378,737
Blue Cross	919,701	796,656
Other third-party payers	1,320,929	819,259
Self-pay	18,121	40,387
	9,628,092	7,580,492
Less provision for uncollectible accounts	(246,375)	(101,850)
Net patient service revenue	$ 9,381,717	$ 7,478,642

Note 5. Capital and Subscription Assets

Capital assets activity for the years ended December 31, 2023 and 2022, was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 127,740	$ -	$ -	$ -	$ 127,740
Buildings and improvements	20,529,590	142,969			20,672,559
Fixed equipment	1,013,171	50,738	-	40,000	1,103,909
Major moveable equipment	3,380,988	15,000	-	-	3,395,988
Construction in progress	40,000	53,391	-	(40,000)	53,391
	25,091,489	262,098	-	-	25,353,587
Less accumulated depreciation					
Buildings and improvements	14,352,759	954,335	-	-	15,307,094
Fixed equipment	704,608	70,557	-	-	775,165
Major moveable equipment	2,712,391	215,675	-	-	2,928,066
	17,769,758	1,240,567	-	-	19,010,325
Capital Assets, Net	$ 7,321,731	$ (978,469)	$ -	$ -	$ 6,343,262

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 127,740	$ -	$ -	$ -	$ 127,740
Buildings and improvements	20,529,590	-	-	-	20,529,590
Fixed equipment	846,790	166,381	-	-	1,013,171
Major moveable equipment	3,206,100	228,676	(53,788)	-	3,380,988
Construction in progress	-	40,000	-	-	40,000
	24,710,220	435,057	(53,788)	-	25,091,489
Less accumulated depreciation					
Buildings and improvements	13,401,633	951,126	-	-	14,352,759
Fixed equipment	657,832	46,776	-	-	704,608
Major moveable equipment	2,562,912	203,267	(53,788)	-	2,712,391
	16,622,377	1,201,169	(53,788)	-	17,769,758
Capital Assets, Net	$ 8,087,843	$ (766,112)	$ -	$ -	$ 7,321,731

Subscription assets activity for the years ended December 31, 2023 and 2022, was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,079,184	$ -	$ -	$ -	$ 1,079,184
Less accumulated amortization Subscription IT assets	301,168	301,168	-	-	602,336
Subscription Assets, Net	$ 778,016	$ (301,168)	$ -	$ -	$ 476,848

	2022 - *Restated*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,079,184	$ -	$ -	$ -	$ 1,079,184
Less accumulated amortization Subscription IT assets	-	301,168	-	-	301,168
Subscription Assets, Net	$ 1,079,184	$ (301,168)	$ -	$ -	$ 778,016

Note 6. Medical Malpractice Coverage and Claims

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

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice 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 Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

Note 7. Long-term Obligations

The following is a summary of long-term debt transactions for the Hospital for the years ended December 31, 2023 and 2022:

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable	$ 1,399,239	$ -	$ 1,399,239	$ -	$ -
Subscription liabilities	793,323	-	297,461	495,862	309,532
Total long-term debt	$ 2,192,562	$ -	$ 1,696,700	$ 495,862	$ 309,532

	2022 (As Restated)				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable	$ 1,452,730	$ -	$ 53,491	$ 1,399,239	$ 40,615
Subscription liabilities	1,079,184	-	285,861	793,323	297,460
Capital lease obligations	640	-	640	-	-
Total long-term debt	$ 2,532,554	$ -	$ 339,992	$ 2,192,562	$ 338,075

Revenue Bonds Payable

In 2010, the County entered into an agreement with the United States Department of Agriculture (USDA) to issue bonds to assist with the financing of the new hospital construction. The bonds bear interest at 4%, are due semi-annually in increasing principal amounts with final bonds maturing January 2049. The Hospital, acting as its own trustee, is required by the USDA to maintain specific principal, interest and bond reserve accounts. The actual principal and interest payments are then made to the bondholders from the Kansas State Treasurer, acting as the paying agent. The financed assets and related bond indebtedness have been included in the accompanying financial statements as assets and liabilities of the Hospital. The bonds are secured by a first and prior lien upon the gross revenues of the Hospital.

During 2023, the Hospital redeemed and paid off the remaining balance on the bonds.

Subscription Liabilities

The Hospital has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2025. The subscription requires monthly payments of approximately $27,000.

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

Year Ending December 31,	Total to be Paid	Principal	Interest
2024	$ 322,692	$ 309,532	$ 13,160
2025	188,237	186,330	1,907
	$ 510,929	$ 495,862	$ 15,067

Note 8. Pension Plan

KCMH contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by the board of trustees of the Hospital. The plan is a replacement for social security and provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Contribution rates for plan members and the Hospital expressed as a percentage of covered payroll were 6.2% and 6.2%, respectively, for 2022 and 2023. Contributions actually made by plan members and the Hospital aggregated $423,779 and $405,121 during 2023 and $331,029 and $343,852 during 2022, respectively.

Note 9. 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $1,041,194 and $822,735 for the years ending December 31, 2023 and 2022, respectively, included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of $539,528 and $389,975 for the years ending December 31, 2023 and 2022, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 10. Great Plains Employee Benefits Trust

In response to amendments to the Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefits Plan (the Plan) for its member organizations and their participating employees. The Hospital is a member organization in the Trust and substantially all of the Hospital's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method.

Note 11. COVID-19 & *CARES Act* Funding

Provider Relief Fund

In 2021 the Hospital received $132,411 and $138,345 of distributions from the *American Rescue Plan Act* and Phase 4 of the *CARES Act* Provider Relief Fund, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Hospital accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2023 and 2022, the Hospital recognized $0 and $177,187, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Other COVID-19 Funding

During the year ended December 31, 2022, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received and recognized $268,745 for the year-ended December 31, 2022, respectively, related to SHIP grant. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 12. Adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*

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

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Subscription assets, net	$ 778,016	$ -	$ 778,016
Total assets	15,519,284	14,741,268	778,016
Current portion of subscription liability	297,460	-	297,460
Total current liabilities	1,155,200	857,740	297,460
Subscription liability	495,863	-	495,863
Total liabilities	3,009,687	2,216,364	793,323
Net position - net investment in capital assets	5,907,185	5,922,492	(15,307)
Total net position	11,462,537	11,477,844	(15,307)
Total liabilities, deferred inflows of resources and net position	15,519,284	14,741,268	778,016
Statements of Revenues, Expenses and Changes in Net Position			
Supplies and other	4,884,156	5,206,848	(322,692)
Depreciation and amortization	1,502,337	1,201,169	301,168
Total operating expenses	10,604,193	10,625,717	(21,524)
Operating loss	(2,233,871)	(2,255,395)	21,524
Interest expense	(94,689)	(57,858)	(36,831)
Total nonoperating revenues	1,577,472	1,614,303	(36,831)
Decrease in net position	(656,399)	(641,092)	(15,307)
Net position, end of year	11,462,537	11,477,844	(15,307)
Statements of Cash Flows			
Payments to suppliers	(4,731,781)	(5,054,473)	322,692
Net cash provided by (used in) operating activities	(1,480,987)	(1,803,679)	322,692
Principal paid on subscription liability	(285,861)	-	(285,861)
Interest paid on subscription liability	(36,831)	-	(36,831)
Net cash used in capital and related financing activities	(869,738)	(547,046)	(322,692)
Operating loss	(2,233,871)	(2,255,395)	21,524
Depreciation and amortization	1,502,337	1,201,169	301,168
Net cash provided by (used in) operating activities	(1,480,987)	(1,803,679)	322,692