EDWARDS COUNTY HOSPITAL,
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Financial Statements

Years Ended December 31, 2023 and 2022

(Together With Independent Auditor's Report)

EDWARDS COUNTY HOSPITAL,
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

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Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Edwards County Hospital, d/b/a Edwards County Medical Center
Kinsley, Kansas:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Edwards County Hospital, d/b/a Edwards County Medical Center, a component unit of Edwards 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 Edwards County Hospital, d/b/a Edwards County Medical Center's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edwards County Hospital, d/b/a Edwards County Medical Center as of December 31, 2023 and 2022, and the changes in its 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 and the *Kansas Municipal Audit and Accounting Guide*. We are required to be independent of Edwards County Hospital, d/b/a Edwards County Medical Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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.

(Continued)

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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 Edwards County Hospital, d/b/a Edwards County Medical Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other post benefits information on pages 35 through 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Edwards County Hospital, d/b/a Edwards County Medical Center has omitted its 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 GASB who considers it to be an essential part of the 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.

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
July 19, 2024

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Financial Position

December 31, 2023 and 2022

Assets and Deferred Outflows of Resources	2023	2022
Current assets:		
Cash and cash equivalents	$ 1,489,461	3,724,801
Restricted cash - COVID-19 funds	-	725,000
Restricted cash - internally designated for capital improvements	194,331	-
Receivables:		
Patient, net of estimated uncollectibles of $1,363,007 in 2023 and $1,742,007 in 2022	1,936,738	1,377,480
Estimated third-party payor settlements	854,985	-
Noncapital appropriations - Edwards County	404,500	404,500
Other	48,287	304,234
Supplies	197,978	239,387
Prepaid expenses and other	215,066	273,411
Total current assets	5,341,346	7,048,813
Noncurrent cash equivalents, internally designated for capital improvements	852,795	1,009,416
Other receivables	30,154	46,000
Capital assets:		
Capital assets	10,194,403	11,018,180
Less accumulated depreciation and amortization	6,968,490	8,022,223
Net capital assets	3,225,913	2,995,957
Total assets	9,450,208	11,100,186
Deferred outflows of resources:		
Pension	1,664,766	1,592,493
OPEB	52,643	50,802
Total deferred outflows of resources	1,717,409	1,643,295
	$ 11,167,617	12,743,481

See accompanying notes to financial statements.

Liabilities, Deferred Inflows of Resources, and Net Position	2023	2022
Current liabilities:		
Current maturities of:		
Lease obligations	$ 20,709	19,947
Subscription obligations	112,761	107,273
Accounts payable	597,953	317,169
Advanced grants - COVID-19 funds	-	725,000
Estimated third-party payor settlements	5,000	820,000
Accrued expenses	571,390	596,670
Total current liabilities	1,307,813	2,586,059
Lease obligations, less current maturities	23,328	44,037
Subscription obligations, less current maturities	329,710	442,471
Net pension liability	4,980,007	4,431,609
Total OPEB liability	261,197	274,823
Total liabilities	6,902,055	7,778,999
Deferred inflows of resources:		
Pension	125,814	174,782
OPEB	66,838	76,361
Noncapital appropriations - Edwards County	404,500	404,500
Total deferred inflows of resources	597,152	655,643
Net position:		
Net investment in capital assets	2,739,405	2,382,229
Restricted exendable for capital assets	130,000	-
Unrestricted	799,005	1,926,610
Total net position	3,668,410	4,308,839
	$ 11,167,617	12,743,481

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenues:		
Net patient service revenue	$ 9,990,747	9,594,660
Provision for bad debts	(553,779)	(516,724)
Net patient service revenue, less provision for bad debts	9,436,968	9,077,936
Other revenue	380,843	429,434
Total operating revenues	9,817,811	9,507,370
Operating expenses:		
Salaries and wages	5,747,786	5,259,445
Employee benefits	1,943,042	1,560,967
Supplies, purchased services and professional fees	3,902,196	3,926,634
Depreciation and amortization	410,301	333,001
Total operating expenses	12,003,325	11,080,047
Operating loss	(2,185,514)	(1,572,677)
Nonoperating revenues (expenses):		
Noncapital appropriations - Edwards County	538,495	539,088
Interest from deposit accounts and other receivables	100,963	36,201
Interest expense	(27,112)	(33,156)
Grants - COVID-19 funds	725,000	1,041,182
Noncapital grants and contributions	75,256	63,372
Gain (loss) on the disposal of capital assets	2,483	(42,981)
Total nonoperating revenues	1,415,085	1,603,706
Excess of revenues over expenses (expenses over revenues)	(770,429)	31,029
Transfer from County	80,000	-
Capital grants and contributions	50,000	11,200
Capital grants and contributions - COVID-19 funds	-	251,847
Increase (decrease) in net position	(640,429)	294,076
Net position, beginning of year	4,308,839	4,014,763
Net position, end of year	$ 3,668,410	4,308,839

See accompanying notes to financial statements.

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

Increase or Decrease in Cash and Cash Equivalents	2023	2022
Cash flows from operating activities:		
Receipts from or on behalf of patients	$ 7,477,429	10,577,958
Payments to suppliers and contractors	(3,713,900)	(4,293,302)
Payments to and on behalf of employees	(7,313,941)	(6,661,946)
Other receipts and payments, net	380,843	429,434
Net cash provided (used) by operating activities	(3,169,569)	52,144
Cash flows from noncapital financing activities:		
Noncapital appropriations - Edwards County	538,495	539,088
Noncapital grants and contributions	75,256	68,892
Net cash provided by noncapital financing activities	613,751	607,980
Cash flows from capital and related financing activities:		
Purchase of capital assets	(443,443)	(497,713)
Principal payments on lease obligations	(19,947)	(19,473)
Principal payments on subscription obligations	(107,273)	(102,052)
Interest paid on lease and subscription obligations	(27,112)	(33,156)
Transfer from County	80,000	-
Capital grants and contributions	50,000	263,047
Net cash used by capital and related financing activities	(467,775)	(389,347)
Cash flows from investing activities, interest received	100,963	36,201
Net increase (decrease) in cash and cash equivalents	(2,922,630)	306,978
Cash and cash equivalents, beginning of year	5,459,217	5,152,239
Cash and cash equivalents, end of year	$ 2,536,587	5,459,217
Reconciliation of cash and cash equivalents to the statements of financial position:		
Cash and cash equivalents	$ 1,489,461	3,724,801
Restricted cash	194,331	725,000
Cash and cash equivalents in noncurrent cash and investments	852,795	1,009,416
	$ 2,536,587	5,459,217

(Continued)

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Cash Flows
(Continued)
Years Ended December 31, 2023 and 2022

Reconciliation of Operating Loss to Net Cash Provided or Used by Operating Activities	2023	2022
Operating loss	$ (2,185,514)	(1,572,677)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	410,301	333,001
Provision for bad debts	553,779	516,724
Decrease (increase) in:		
Patient accounts receivable	(1,113,037)	70,994
Estimated third-party payor settlements	(854,985)	195,809
Other receivables	271,793	(155,569)
Supplies	41,409	(38,203)
Prepaid expenses	58,345	(73,818)
Deferred outflows of resources	(74,114)	(476,151)
Increase (decrease) in:		
Accounts payable	86,453	(202,583)
Accrued expenses	(25,280)	(55,347)
Estimated third-party payor settlements	(815,000)	820,000
Deferred inflows of resources - pension and OPEB	(58,491)	(867,269)
Net pension liability	548,398	1,595,980
Total OPEB liability	(13,626)	(38,747)
Net cash provided (used) by operating activities	$ (3,169,569)	52,144

Supplemental Disclosures of Cash Flows Information

	2023	2022
Capital asset additions in accounts payable	$ 194,331	-
Non-cash trade-in allowance on capital asset disposal	$ 3,995	-

See accompanying notes to financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Edwards County Hospital, d/b/a Edwards County Medical Center (the Hospital), a component unit of Edwards County, Kansas, have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting entity

The Hospital is an acute care hospital located in Kinsley, Kansas. The Hospital is a component unit of Edwards County, Kansas (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenue by providing inpatient, outpatient and emergency care to patients in the County area.

The financial statements of the Hospital reporting entity are intended to present the financial position, changes in financial position and cash flows of the Hospital. They do not purport to, and do not, present fairly the financial position, changes in financial position or cash flows of the County as of and for the years ended December 31, 2023 and 2022.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital does not have any component units which meet the GASB criteria.

Tax exempt status

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. The Hospital has also obtained 501(c)(3) status with the Internal Revenue Service.

(Continued)

Measurement focus and basis of accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of presentation

The statement of financial position displays the Hospital's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

(Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows and inflows of resources, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated cash and investments. For purposes of the statements of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Patient receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Patient receivables, excluding amounts due from third-party payors, are turned over to a collection agency if the receivables remain unpaid after the Hospital's collection procedures. The Hospital does not charge interest on the unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Noncapital appropriations receivable and revenue

Noncapital appropriations received from the County consist of property taxes and specific budgeted operating appropriations. Annually, the Hospital submits budgets to the County for approval of both amounts for the next fiscal year. The budgets are approved by the Edwards County Board of Commissioners, generally in August, and utilized to establish the property tax levies. A specific levy in connection with the property taxes is assigned to the Hospital.

(Continued)

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. Property owners have the option of paying on half or the full balance 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. The County Treasurer is the tax collection agent for all taxing entities within the County, including the Hospital. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1 of the ensuing year.

As such taxes are a lien on properties during the current year, but not received by the Hospital until the ensuing year, such noncapital appropriations are recorded as a receivable as of December 31. For revenue recognition purposes, taxes levied during the current year are not available to the Hospital until the ensuing year due to State statute and, as such, are recognized as a deferred inflow of resources.

The operating appropriations received from the County are accounted for as a budgeted line item within the County's financial statements. State statues allow transferring budgeted amounts within the line items within an individual fund; therefore, there are no restrictions on the County for distributing these funds to the Hospital. Accordingly, amounts are recognized as revenue upon approval of the Hospital's submitted budget by the County.

Supplies

Supply inventories are stated at the lower of cost (first-in, first-out) or net realizable value and are expensed when used.

Noncurrent cash equivalents

Noncurrent cash equivalents are set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Assets that are available for obligations classified as current liabilities are reported in current assets.

(Continued)

Capital assets

Capital asset acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Useful lives are determined using the general guidelines set forth in the American Hospital Association Guide for Estimated Useful lives of Depreciable Hospital Assets. Capital assets under lease or subscription obligations are amortized on the straight-line method over the shorter period of the contract term or the estimated useful life of the capital asset. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

	Life in Years
Land improvements	10-20
Buildings	15-40
Fixed equipment	5-20
Moveable equipment	3-20
Subscriptions	3-10

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are reported after nonoperating revenues. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Deferred outflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The Hospital has deferred outflows of resources related to pension and total other postemployment benefits (OPEB) liabilities. Deferred outflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, other differences between expected and actual experience, and contributions from the employer after the measurement date but before the end of the Hospital's reporting period. The Hospital's deferred outflows of resources are recognized as a component of compensation expense in the following year related to employer contributions, compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the related pension of OPEB plan.

(Continued)

Compensated absences

The Hospital's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. Sick leave benefits are realized as paid time off and 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 statement of financial position date plus an additional amount for compensated-related payments, such as Social Security and Medicare taxes computed using rates in effect at that date. The liability for compensated absences is reported within accrued expenses in the accompanying financial statements.

Cost-sharing defined benefit pension plan

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement Savings Plan (KPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension, pension expense, and information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net positions have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred inflows of resources

Deferred inflows of resources represent an increase in net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. The Hospital has deferred inflows of resources related to pension and OPEB liabilities. The deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience, all associated with the Hospital's participation in the related KPERS pension or OPEB plans. In addition, deferred inflows of resources include noncapital appropriations from the County related to the ensuing year's budget and grants received that relate to a future period. The Hospital's deferred inflows of resources related to pensions are recognized as a component of compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the related plans. Noncapital appropriations are recognized as inflows of resources in the period the amounts become available and grants are recognized as revenue when earned.

(Continued)

Operating revenues and expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $47,000 and $73,000 for years ended December 31, 2023 and 2022, respectively, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Grants and contributions

From time to time, the Hospital receives contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues.

(Continued)

(2) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** The Hospital is designated as a Critical Access Hospital (CAH). As a CAH, inpatient acute, inpatient nonacute (swing-bed), and outpatient services provided to Medicare beneficiaries are paid based on a cost reimbursement methodology (plus an additional 1% of cost). For these services, the Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). Although the majority of the services provided are reimbursed under the previously described methodology, there are services, such as certain laboratory and diagnostic services that are reimbursed under prospectively determined per diem rates or fee schedules. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the MAC through December 31, 2021.

  The “Budget Control Act of 2011” requires, among other things, mandatory across the board reductions in federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013 incur a 2% reduction in Medicare payments. On March 27, 2020, the CARES Act temporarily exempted Medicare from the effects of sequestration. This exemption was in effect from May 1, 2020 through March 31, 2022. From April 1, 2022 to June 30, 2022, a 1% reduction occurred and after June 30, 2022, the full 2% reduction was effective again.

- **Medicaid:** Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid 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 has also entered into payment agreements with certain commercial insurance carriers and other 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.

(Continued)

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's net patient service revenues for the years ended December 31, 2023 and 2022:

	2023	2022
Medicare	57%	55%
State-sponsored Medicaid program	5	5
Commercial insurance	34	37
Uninsured	4	3
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

(3) COVID-19 Funds

In December 2019, a novel strain of the coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the United States of America (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic and on March 13, 2020 the President of the United States of America declared an emergency under sections 201 and 301 of the National Emergencies Act. Since this declaration, the Hospital has operated within the guidelines provided by both state and federal regulatory agencies. Additionally, many state and local governments instituted emergency restrictions that have substantially limited the operation of non-essential businesses and the activities of individuals. These restrictions have impacted the Hospital's services. The U.S. Congress passed the Families First Coronavirus Response Act, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the American Rescue Plan Act (ARP Act) to provide relief programs and direct funds to both health care providers, such as the Hospital, and the general public to assist during the duration of the pandemic.

Under the authority of the CARES Act, the U.S. Department of Health and Human Services (HHS) has established various Provider Relief Funds to distribute funds to health care providers. The Hospital received Provider Relief Fund distributions of $1,035,662 and $3,661,723 during the years ended December 31, 2021 and 2020, respectively. The terms and conditions associated with accepting the Provider Relief Funds can vary based on the specific distribution received. The majority of the funds received by the Hospital specifically state they can only be used to prevent, prepare for, and respond to coronavirus healthcare-related expenses or for lost revenues that are attributable to the coronavirus. Recipients are required to file reports with HHS regarding the use of these funds for eligible purposes. Any unused funds are required to be returned to HHS.

(Continued)

The Hospital considers the receipt of the funds a voluntary nonexchange transaction and recorded the amounts received as advanced grants – COVID-19 funds (liability). The liability is being derecognized and nonoperating revenue recognized, or grants restricted for capital assets, if used to purchase capital assets, as the terms and conditions are determined to be substantially met by the Hospital. The Hospital believes it has met certain terms and conditions during the applicable reporting periods and therefore fully recognized $725,000, $1,035,662, $1,296,723 and $1,640,000 as grants – COVID-19 funds and capital grants – COVID-19 funds for the years ended December 31, 2023, 2022, 2021, and 2020, respectively.

The Hospital also received grant funds from the State of Kansas and other organizations totaling $257,367 during the year ended December 31, 2022 to use for COVID-19 related expenses. The Hospital recognized $257,367 as grants – COVID-19 funds for the year ended December 31, 2022.

The laws and regulations associated with the CARES Act funds are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

(4) 340B Pharmacy Revenue

The Hospital participates in the 340B Drug Discount Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases and enter in to certain contracts with unrelated pharmacies who provide certain prescriptive drugs to Hospital patients who receive rural health clinic and outpatient services. 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 process. 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 future. Included in other operating revenue is $262,518 and $322,947 of 340B Program revenue for the years ended December 31, 2023 and 2022, respectively.

(Continued)

(5) Deposits

The carrying amounts of the Hospital's deposits as of December 31, 2023 and 2022 were $2,536,587 and $5,459,217, respectively.

Deposits are reported in the following statements of financial position captions:

	2023	2022
Cash and cash equivalents	$ 1,489,461	3,724,801
Restricted cash - COVID-19 funds	-	725,000
Noncurrent cash equivalents, for capital improvements internally designated	1,047,126	1,009,416
	$ 2,536,587	5,459,217

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state laws. 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 amounts of the deposits. The Hospital's deposits in banks at December 31, 2023 and 2022 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

(Continued)

(6) Capital Assets

Capital assets additions, transfers/retirements, and balances for the years ended December 31, 2023 and 2022 are as follows:

	2022	Additions	Transfers/ Retirements	2023
Historical costs				
Land – not depreciated	$ 52,502	-	-	52,502
Construction in progress – not depreciated	116,426	362,431	(478,857)	-
Land improvements	378,185	65,343	-	443,528
Buildings	4,526,542	375,855	-	4,902,397
Fixed equipment	2,505,580	-	-	2,505,580
Moveable equipment	2,589,564	316,997	(1,465,546)	1,441,015
Leased equipment	100,500	-	-	100,500
SBITA assets	748,881	-	-	748,881
Total historical costs	11,018,180	1,120,626	(1,944,403)	10,194,403
Less accumulated depreciation/amortization				
Land improvements	(135,886)	(21,449)	-	(157,335)
Buildings	(3,448,223)	(88,874)	-	(3,537,097)
Fixed equipment	(1,931,858)	(61,238)	-	(1,993,096)
Moveable equipment	(2,252,288)	(112,051)	1,464,034	(900,305)
Leased equipment	(29,304)	(14,357)	-	(43,661)
SBITA assets	(224,664)	(112,332)	-	(336,996)
Total accumulated depreciation/amortization	(8,022,223)	(410,301)	1,464,034	(6,968,490)
Net capital assets	$ 2,995,957	710,325	(480,369)	3,225,913

(Continued)

	2021	Additions	Transfers/ Retirements	2022
Historical costs				
Land – not depreciated	$ 55,662	-	(3,160)	52,502
Construction in progress – not depreciated	409,021	517,010	(809,605)	116,426
Land improvements	318,861	65,147	(5,823)	378,185
Buildings	4,391,590	226,242	(91,290)	4,526,542
Fixed equipment	2,217,470	315,552	(27,442)	2,505,580
Moveable equipment	2,554,525	189,814	(154,775)	2,589,564
Leased equipment	100,500	-	-	100,500
Subscriptions	748,881	-	-	748,881
Total historical costs	10,796,510	1,313,765	(1,092,095)	11,018,180
Less accumulated depreciation/amortization				
Land improvements	(127,844)	(13,865)	5,823	(135,886)
Buildings	(3,454,944)	(62,885)	69,606	(3,448,223)
Fixed equipment	(1,897,761)	(54,825)	20,728	(1,931,858)
Moveable equipment	(2,314,933)	(74,260)	136,905	(2,252,288)
Leased equipment	(14,470)	(14,834)	-	(29,304)
Subscriptions	(112,332)	(112,332)	-	(224,664)
Total accumulated depreciation/amortization	(7,922,284)	(333,001)	233,062	(8,022,223)
Net capital assets	$ 2,874,226	980,764	(859,033)	2,995,957

(7) Lease Obligations

The Hospital leases certain operating equipment under a fixed payment arrangement. The lease does not contain any variable payment arrangements or residual value guarantees. The lease is due in monthly installments of $1,834, including interest through December 2025, at an imputed rate of interest of 3.81%.

(Continued)

A schedule of changes in lease obligations for December 31, 2023 and 2022 follows:

	2022	Additions	Reductions	2023	Current Portion
Lease obligation	$ 63,984	-	(19,947)	44,037	20,709
Less current installments	19,947			20,709	
Lease obligations excluding current installments	$ 44,037			23,328	

	2021	Additions	Reductions	2022	Current Portion
Lease obligation	$ 83,457	-	(19,473)	63,984	19,947
Less current installments	21,107			19,947	
Lease obligations excluding current installments	$ 62,350			44,037	

Scheduled principal and interest repayments on lease obligations are as follows:

Year Ending December 31,	Principal	Interest
2024	$ 20,709	1,235
2025	23,328	441
Total	$ 44,037	1,676

(8) Subscription Obligations

The Hospital has entered into a long-term subscription agreement. The agreement does not contain any variable payment arrangements or residual value guarantees. The subscription fee is due in monthly installments of $11,027, including interest through August 2027, at an imputed rate of interest of 5.00%.

(Continued)

A schedule of changes in subscription obligations for December 31, 2023 and 2022 follows:

	2022	Additions	Reductions	2023	Current Portion
Subscription obligation	$ 549,744	-	(107,273)	442,471	112,761
Less current installments	107,273			112,761	
Lease obligations excluding current installments	$ 442,471			329,710	

	2021	Additions	Reductions	2022	Current Portion
Subscription obligation	$ 651,796	-	(102,052)	549,744	107,273
Less current installments	102,052			107,273	
Lease obligations excluding current installments	$ 549,744			442,471	

Scheduled principal and interest repayments on subscription obligations are as follows:

Year Ending December 31,	Principal	Interest
2024	$ 112,761	19,563
2025	118,530	13,794
2026	124,595	7,729
2027	86,585	1,631
Total	$ 442,471	42,717

(Continued)

(9) Long-term Liabilities

A schedule of the Hospital's long-term liabilities for 2023 and 2022 is as follows:

	December 31, 2022	Additions/ Adjustments	Payments/ Adjustments	December 31, 2023	Due Within One Year
Lease obligations - note 7	$ 63,984	-	(19,947)	44,037	20,709
Subscription obligations - note 8	549,744	-	(107,273)	442,471	112,761
Other noncurrent liabilities:					
Net pension liability - note 11	4,431,609	548,398	-	4,980,007	-
Total OPEB liability - note 12	274,823	-	(13,626)	261,197	-
Total long-term liabilities	$ 5,320,160	548,398	(140,846)	5,727,712	133,470

	December 31, 2021	Additions/ Adjustments	Payments/ Adjustments	December 31, 2022	Due Within One Year
Lease obligations - note 7	$ 83,457	-	(19,473)	63,984	19,947
Subscription obligations - note 8	651,796	-	(102,052)	549,744	107,273
Other noncurrent liabilities:					
Net pension liability - note 11	2,835,629	1,595,980	-	4,431,609	-
Total OPEB liability - note 12	313,570	-	(38,747)	274,823	-
Total long-term liabilities	$ 3,884,452	1,595,980	(160,272)	5,320,160	127,220

(Continued)

(10) Pension Plan

Plan description

The Kansas Public Employees Retirement System Plan is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: Kansas Public Employees Retirement Systems (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges.

The KPERS plan is a cost-sharing multiple-employer defined benefit plan. KPERS is intended to be a qualified retirement plan under Section 401(a) of the Code. Information relating to KPERS, including stand-alone financial statements, is available by writing to KPERS, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or accessing the internet at www.KPERS.org.

KPERS makes separate calculations for pension-related amounts for the following four employee groups participating in the plan:

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

The Hospital's employees participate in the Local group.

Benefits provided

Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. KPERS has two levels of benefits depending on retirement age and years of credited service. Tier 1 benefits are for members who are age 65 or age 62 with ten years of credited service or of any age when combined age and years of credited service equal 85 "points." Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service.

(Continued)

Early retirement is permitted at the age of 55 and ten years of credited service. Benefits are reduced by 0.2% per month for each month between the ages of 60-62 and 0.6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). The plan also provides disability and death benefits to plan members and their beneficiaries.

The terms of the plan provide for an annual 2% cost-of-living adjustment for Tier 2 members who retired prior to July 1, 2012, beginning the later of age of 65 or the second July 1 after retirement date. Other participants do not receive a cost-of-living adjustment.

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the state wide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014 for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's contractually required contribution rate for the years ended December 31, 2023 and 2022 were 8.43% and 8.90%, respectively, of annual payroll. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for the pension plan for the years ended December 31, 2023 and 2022 were $461,125 and $425,429, respectively.

(Continued)

Net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pension plan

At December 31, 2023 and 2022, the Hospital reported a liability of $4,980,007 and $4,431,609, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2022 and 2021, rolled forward to June 30, 2023 and 2022. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2023, the Hospital's proportion was 0.237380%, which was an increase of 0.014467% from its proportion measured as of June 30, 2022, of 0.222913%. At June 30, 2021, the proportion was 0.236311%.

For the years ended December 31, 2023, 2022, and 2021, the Hospital recognized pension expense of $888,284, $676,900, and $385,327, respectively. At December 31, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 413,982	701	167,622	7,943
Net difference between projected and actual earnings on pension plan investments	290,860	-	375,136	-
Changes in assumptions	527,811	-	708,367	-
Changes in proportion	196,699	125,113	120,421	166,839
Hospital's contributions subsequent to the measurement date	235,414	-	220,947	-
	$ 1,664,766	125,814	1,592,493	174,782

(Continued)

At December 31, 2023, the Hospital reported $235,414 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023 will be recognized in pension expense as follows:

Years Ending December 31,	Amount
2024	$ 439,440
2025	240,770
2026	499,886
2027	120,050
2028	3,392
Total	$ 1,303,538

Actuarial Assumptions

The total pension liability in the December 31, 2022 and 2021 actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurement:

	2022	2021
Price inflation	2.75%	2.75%
Salary increases	3.5% to 12%	3.5% to 12%
Investment rate of return, net of pension plan investment expense, including inflation	7.00%	7.00%

The December 31, 2022 and 2021 actuarial valuations used mortality rates based on the RP-2014 Mortality Table, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2022 and 2021 valuations were based on the results of an actuarial experience study for the thee-year period ended December 31, 2018.

(Continued)

The long-term expected rate of return on pension plan investments was determined using the building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class for both 2023 and 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities	23.50%	5.20%
Non-U.S. equities	23.50	6.40
Private equity	8.00	9.50
Private real estate	11.00	4.45
Yield driven	8.00	4.70
Real return	11.00	3.25
Fixed income	11.00	1.55
Short-term investments	4.00	.25
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for both the years ended June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employee contribution rates certified by the KPERS Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Hospital's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate as of December 31, 2023.

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability	$ 7,140,798	4,980,007	3,179,842

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

(11) Other Postemployment Benefits (OPEB)

Plan description

The Hospital contributes to the KPERS Long-Term Disability plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered by a Board of Trustees appointed by KPERS. The OPEB Plan's assets are not accumulated in a qualified trust because contributions from the employer to the OPEB Plan and earnings on those contributions are not irrevocable. Benefit provisions are contained in the plan document and were established and can be amended by action of the KPERS' governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(Continued)

Benefits

The OPEB Plan provides long-term disability (LTD) and life insurance benefits to eligible disabled members. Benefits provided are self-funded and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever occurs first. Upon the death of a member who is receiving monthly disability benefits, the OPEB Plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

Total OPEB liability

At December 31, 2023 and 2022, the Hospital reported a liability of $261,197 and $274,823, respectively, related to its total OPEB liability. The total OPEB liability was measured as of June 30, 2023 and 2022, using actuarial valuations as of December 31, 2022 and 2021, rolled forward to June 30, 2023 and 2022. The following schedule shows the changes in the Hospital's total OPEB liability for the years ended December 31, 2023 and 2022:

	2023	2022
Total OPEB liability, beginning of year	$ 274,823	313,570
Service cost	12,612	20,757
Interest	9,623	6,844
Differences between expected and actual experience	(3,341)	(3,565)
Changes in assumptions or other inputs	(1,046)	(27,704)
Benefit payments	(31,474)	(35,079)
Net change	(13,626)	(38,747)
Total OPEB liability, end of year	$ 261,197	274,823

(Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

There are 72 active members and 3 disabled members in the plan at the June 30, 2023 measurement date and 67 active members and 3 disabled members in the plan at the June 30, 2022 measurement date. For the year ended December 31, 2023, the Hospital recognized a net reduction in OPEB expense of $24,990, and a net reduction in OPEB expense of $37,658 or the year ended December 31, 2022. At December 31, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,047	37,570	12,149	43,182
Changes in assumptions or other inputs	14,659	29,268	17,254	33,179
Hospital's contributions subsequent to the measurement date	27,937	-	21,399	-
	$ 52,643	66,838	50,802	76,361

The deferred outflows of resources related to the contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023 will be recognized in OPEB expense over the average expected remaining service life of the plan. The recognition will be as follows:

Years Ending December 31,	Amount
2024	$ 9,213
2025	9,213
2026	8,698
2027	5,006
2028	(100)
Thereafter	10,102
	$ 42,132

(Continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 and 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods in the measurement:

	2022	2021
Price inflation	2.75%	2.75%
Discount rate	3.65%	3.54%
Salary increases, including inflation	3.5% to 10%	3.5% to10%

- Discount rate – 3.65%, 3.54% and 2.16% as of December 31, 2023, 2022 and 2021, respectively, based on the Bond Buyer General Obligation 20-Year Municipal Bond Index.
- Mortality – RP-2014 Total Dataset Mortality table full generational using scale MP-2022 for December 31, 2022 and MP-2022 for December 31, 2021.
- Experience study – Based on the actual KPERS experience study for the period January 1, 2016 to December 31, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Hospital, as well as what the Hospital's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rates as of December 31, 2023 and 2022:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB liability at December 31, 2023	$ 270,801	261,197	251,848

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability at December 31, 2022	$ 285,402	274,823	264,598

The total OPEB liability of the Hospital is not impacted by healthcare trend rates given the nature of the benefits provided by the OPEB plan, as such no sensitivity tables were prepared for the healthcare trend rates.

(Continued)

(12) Designated Net Position

At December 31, 2023 and 2022, $1,047,126 and $1,009,416, respectively, of unrestricted net position has been designated by the Hospital's Board of Trustees for capital acquisitions. Designated net position remains under the control of the Board of Trustees, which may at its discretion later use this net position for other purposes. The Hospital's unrestricted net position was deficient by $248,121 in meeting this designation as of December 31, 2023. Designated net position is reported as current or noncurrent cash equivalents, internally designated for capital improvements.

(13) Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2023 and 2022 were as follows:

	2023	2022
Medicare	52%	37%
State-sponsored Medicaid program	3	4
Commercial insurances	22	22
Patients	23	37
	100%	100%

The Hospital received approximately 5.2% and 4.8% of its financial support from noncapital appropriations from the County in 2023 and 2022, respectively.

(14) Contingencies

Risk management

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

(Continued)

Malpractice insurance

The Hospital has insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $500,000 per claim and an aggregate limit of $1,500,000. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage per claim and an additional $1,500,000 of aggregate coverage. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be insured.

Litigation, claims and disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of tasks under its various programs. In the opinion of management, the ultimate settlement of litigation, claims and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Schedule of the Hospital's Proportionate Share of the Net Pension Liability (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (See note 10)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Hospital's proportion of the net pension liability	0.237380%	0.222913	0.236311	0.238688	0.230058	0.209920	0.187406	0.184597	0.177877	0.182953
Hospital's proportionate share of the net pension liability	$ 4,980,007	4,431,609	2,835,629	4,138,024	3,214,767	2,925,844	2,714,493	2,855,770	2,335,603	2,251,809
Hospital's covered employee payroll	$ 5,470,081	4,780,098	4,622,930	4,474,997	4,225,997	3,731,387	3,324,731	3,169,466	2,978,242	3,018,272
Hospital's proportionate share of the net pension liability as a percentage of its covered employee payroll	91.04%	92.71	61.34	92.47	76.07	78.41	81.65	90.10	78.42	74.61
Plan fiduciary net position as a percentage of the total pension liability	70.70%	69.75	76.40	66.30	69.88	68.88	67.12	65.10	64.95	66.60

The amounts presented for each fiscal year are as of the measurement date (June 30 of the previous year).

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Schedule of the Hospital's Contributions (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (See note 10)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 461,128	425,429	410,054	385,540	395,481	335,165	294,107	304,374	280,706	266,944
Less contribution in relation to the contractually required contribution	461,128	425,429	410,054	385,540	395,481	335,165	294,107	304,113	280,706	266,944
Contribution deficiency	$ -	-	-	-	-	-	-	261	-	-
Hospital's covered employee payroll	$ 5,470,081	4,780,098	4,762,532	4,477,820	4,448,610	3,991,815	3,592,861	3,315,621	2,968,257	3,020,983
Contributions as a percentage of covered employee payroll	8.43%	8.90	8.61	8.61	8.89	8.39	8.19	9.17	9.46	8.84

The amounts presented for each fiscal year are as of the most recent fiscal year-end (December 31).

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Schedule of the Changes in the Total OPEB Liability and Related Ratios (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (See note 11)

	2023*	2022*	2021*	2020*	2019*	2018*	2017*
Service cost	$ 12,612	20,757	21,350	18,321	14,484	14,258	13,336
Interest	9,623	6,844	7,157	10,588	10,914	13,344	11,649
Effect of economic/ demographic gains or losses	(3,341)	(3,565)	(3,515)	955	19,505	(76,759)	-
Changes in assumptions or other inputs**	(1,046)	(27,704)	656	19,027	5,897	(4,790)	(15,545)
Benefit payments	(31,474)	(35,079)	(28,988)	(32,069)	(36,119)	(37,934)	(54,705)
Net change in total OPEB liability	(13,626)	(38,747)	(3,340)	16,822	14,681	(91,881)	(45,265)
Total OPEB liability, beginning of year	274,823	313,570	316,910	300,088	285,407	377,288	422,553
Total OPEB liability, end of year	$ 261,197	274,823	313,570	316,910	300,088	285,407	377,288
Hospital's covered employee payroll	$ 4,826,458	4,337,867	4,437,426	4,561,015	4,274,531	3,584,813	3,139,132
Total OPEB liability as a percentage of covered employee payroll	5.41%	6.34	7.07	6.95	7.02	7.96	12.02
Discount rate	3.65%	3.54	2.16	2.21	3.50		

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the previous year).
**The discount rate changed from 3.54% to 3.65%.

Notes to the Schedule

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.