Independent Auditor's Report and Financial Statements

Russell Regional Hospital Board
d/b/a Russell Regional Hospital

July 31, 2023 and 2022

Contents

	Page
Management's Discussion and Analysis	1
Independent Auditor's Report	6
Financial Statements	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	12

Russell Regional Hospital Board
d/b/a Russell Regional Hospital
Management's Discussion and Analysis
Years ended July 31, 2023 and 2022

Our discussion and analysis of the financial performance of the Russell Regional Hospital Board d/b/a Russell Regional Hospital (the County Hospital Board) provides a narrative overview of its financial activities for the years ended July 31, 2023 and 2022. Please read it in conjunction with the accompanying financial statements.

Financial highlights

The net position of the County Hospital Board decreased by $749,362 or 4.84 percent during the 2023 fiscal year and decreased by $2,304,912 or 12.95 percent during the 2022 fiscal year.

WCKA, a component unit of the County Hospital Board, reported a decrease of $800,665 in its operating loss for the 2023 fiscal year and an increase of $1,365,253 in its operating loss for the 2022 fiscal year.

Using these financial statements

The financial statements of the County Hospital Board consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the County Hospital Board, including resources held by or for the benefit of the County Hospital Board, and resources restricted for specific purposes by contributors, grantors, and other outside parties.

One of the most important questions asked about finances of the County Hospital Board is, "Is the County Hospital Board as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the resources of the County Hospital Board and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. For purposes of these two statements, revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the County Hospital Board and changes in them. Net position of the County Hospital Board - the difference between assets and liabilities - may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in the net position of the County Hospital Board are one indicator of whether its financial health is improving or deteriorating. Consideration must also be given to other nonfinancial indicators, such as changes in the patient base of the County Hospital Board and measures of the quality of service it provides to the community, as well as local economic factors, to assess the overall health of the County Hospital Board.

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

Assets, liabilities, and net position

The County Hospital Board's statements of net position as of the end of each of the last three years are summarized as follows:

	2023	2022	2021
Assets			
Current assets	$ 818,624	$ 1,759,697	$ 1,471,424
Assets limited as to use	3,420,281	3,352,053	3,148,760
Capital assets, net	4,660,951	5,103,516	5,450,516
Other assets	5,842,725	5,829,607	7,726,155
Total assets	$ 14,742,581	$ 16,044,873	$ 17,796,855
Liabilities			
Current liabilities	$ -	$ 552,930	$ -
Total liabilities	$ -	$ 552,930	$ -
Net position	$ 14,742,581	$ 15,491,943	$ 17,796,855

Other assets consist primarily of the County Hospital Board's residual interest in WCKA's net position. The County Hospital Board's residual interest in WCKA's net position increased by $13,118, decreased by $1,896,548, and increased by $4,488,394 during the years ended July 31, 2023, 2022, and 2021, respectively.

On November 4, 2003, a majority of the qualified electors of the County approved, at a special bond election, the question of whether to issue general obligation bonds of the County in an amount not to exceed $5,500,000 to pay the costs of making improvements to the hospital facility. The County issued its General Obligation Hospital Bonds, Series 2004, on July 1, 2004, in the amount of $5,500,000. Costs incurred by the County Hospital Board subsequent to issuance of the bonds for renovations and additions to its facility were submitted to the County for reimbursement from the bond proceeds. Reimbursements received and costs paid directly from the bond proceeds were recorded as capital contributions.

On May 15, 2012, the County issued its General Obligation Hospital Refunding Bonds, Series 2012, in the amount of $4,530,000. The proceeds of the 2012 bonds along with other funds were used to refund the Series 2004 bonds and to pay costs related to the issuance of the 2012 bonds.

To the extent that resources are available, the County Hospital Board and WCKA have agreed to transfer funds to the County for purposes of making principal and interest payments on the bonds as they come due. However, it is uncertain what amounts, if any, the two entities will be able to transfer to the County in future periods. The County Hospital Board transferred $426,695, $429,145, and $425,470 to the County during the 2023, 2022, and 2021 fiscal years, respectively, to pay principal and interest due on the bonds.

The net position of the County Hospital Board decreased by $749,362 or 4.84 percent during the 2023 fiscal year and decreased by $2,304,912 or 12.95 percent during the 2022 fiscal year.

WCKA's statements of net position as of the end of each of the last three years are summarized as follows:

	2023	2022	2021
Assets			
Current assets	$ 6,113,689	$ 6,808,793	$ 11,757,119
Assets limited as to use		786,023	670,784
Capital assets, net	2,180,079	1,497,513	1,486,147
Other assets	8,000		
Total assets	$ 8,301,768	$ 9,092,329	$ 13,914,050
Liabilities			
Current liabilities	$ 2,237,332	$ 2,928,821	$ 5,947,073
Long-term obligations	221,711	333,901	240,822
Due to lessor	5,842,725	5,829,607	7,726,155
Total liabilities	$ 8,301,768	$ 9,092,329	$ 13,914,050
Net position	$ -	$ -	$ -

WCKA was organized on June 23, 1997, and on August 1, 1997, it assumed custody of assets and liabilities related to hospital operations from the County Hospital Board pursuant to a 10-year lease agreement. The lease agreement has been extended and is in effect through July 31, 2037. At the end of the lease term, WCKA has agreed to return all of its net position to the County Hospital Board. Accordingly, WCKA's net position is presented as a liability ("due to lessor") in its financial statements. The residual interest in WCKA's unrestricted net position is presented as an asset in the financial statements of the County Hospital Board.

WCKA's net position increased by $13,118 or 0.23 percent during the 2023 fiscal year and decreased by $1,896,548 or 24.55 percent during the 2022 fiscal year.

Operating results and changes in net position

The operating results and changes in net position for the County Hospital Board during each of the last three years are summarized as follows:

	2023	2022	2021
Operating revenues	$ 2,112	$ 2,783	$ 1,573
Operating expenses	694,649	820,654	900,256
Operating loss	(692,537)	(817,871)	(898,683)
Property taxes	676,396	583,084	574,308
Sales taxes	700,344	610,673	488,182
Other nonoperating revenue, net	111,266	22,054	27,349
Capital grants and contributions	233,531	175,771	79,103
Transfers to WCKA	(1,364,785)	(552,930)	(51,350)
Transfers to Russell County	(426,695)	(429,145)	(425,470)
Change in obligation of lessee to lessor	13,118	(1,896,548)	4,488,394
Change in net position	$ (749,362)	$ (2,304,912)	$ 4,281,833

Operating expenses consist primarily of depreciation on capital assets: $680,270, $682,542, and $737,857 during each of the years ended July 31, 2023, 2022, and 2021, respectively.

WCKA's operating results and changes in net position for each of the last three years are summarized as follows:

	2023	2022	2021
Operating revenues	$ 20,498,005	$ 18,305,157	$ 16,572,408
Operating expenses	22,525,583	21,133,400	18,035,398
Operating loss	(2,027,578)	(2,828,243)	(1,462,990)
SBA PPP loan forgiveness			1,859,877
COVID-19 grants	489,803	272,585	4,044,935
Other nonoperating revenue (expenses) and capital grants and contributions	186,108	106,180	(4,778)
Transfers from County Hospital Board	1,364,785	552,930	51,350
Change in net position	$ 13,118	$ (1,896,548)	$ 4,488,394

The first, and most significant, component of the overall change in WCKA's net position is its operating loss - generally, the difference between net patient service revenue and the expenses incurred to perform those services. WCKA reported operating losses during the 2023, 2022, and 2021 fiscal years. The operating loss decreased by $800,665 and increased by $1,365,253 during the 2023 and 2022 fiscal years, respectively.

Operating results are significantly impacted by participation in the 340(b) drug program. WCKA recognized $2,201,972, $1,391,489, and $1,350,154 in revenue and incurred $1,860,420, $1,514,877, and $1,024,083 in expenses related to the 340(b) drug program during the 2023, 2022, and 2021 fiscal years, respectively. Without participation in the 340(b) drug program, WCKA would have sustained operating losses of $2,369,130, $2,704,855, and $1,789,061 for the 2023, 2022, and 2021 fiscal years, respectively.

Gross and net patient service revenue for the past three years is analyzed as follows:

	2023	2022	2021
Inpatient services	$ 5,034,029	$ 5,336,269	$ 4,629,901
Outpatient services	20,971,615	19,686,311	17,029,431
Physician services	3,567,129	3,275,227	2,839,141
Gross patient service revenue	29,572,773	28,297,807	24,498,473
Contractual adjustments	(10,687,783)	(10,169,467)	(8,597,329)
Provision for bad debts	(804,323)	(1,471,204)	(896,983)
Charity care	(195,095)	(113,581)	(99,878)
Net patient service revenue	$ 17,885,572	$ 16,543,555	$ 14,904,283

WCKA did not raise its charge rates across the board during the 2023, 2022, or 2021 fiscal years. Most of the overall changes in gross patient service revenue during the past three years are due to changes in inpatient and outpatient volume. Gross revenues from inpatient services decreased by 5.66 percent during the 2023 fiscal year, increased 15.26 percent during the 2022 fiscal year, and decreased 13.80 percent during the 2021 fiscal year. Total patient days (acute and swing-bed combined), decreased by 3.34 percent during the fiscal year 2023, increased by 8.05 percent during the fiscal year 2022, and decreased by 16.32 percent during fiscal year 2021. The changes in inpatient revenues were greatly influenced by variations in the number of patient days. Gross revenues for outpatient services increased by 6.53 percent during the 2023 fiscal year, 15.60 percent during the 2022 fiscal year, and 13.05 the 2021 fiscal year. These changes were primarily the result of changes in outpatient volume. Patient volumes were impacted in fiscal year 2021 by the coronavirus pandemic.

WCKA has agreements with various third-party payors that provide for payments to it at amounts different from its established charge rates. These differences are referred to as contractual adjustments. As a percentage of gross patient service revenue they were 36.1, 35.9, and 35.1 percent during the 2023, 2022, and 2021 fiscal years, respectively. These values are comparable to those for similar critical access hospitals. As a critical access hospital, contractual adjustments for the Medicare program are much lower as a percentage of gross charges than they are for most other third-party payors. The contractual adjustment rate for cost reimbursed Medicare services generally rises when patient volume increases, and falls when drops in patient volume are experienced.

Another significant component of the overall change in WCKA's change in net position for the year ended July 31, 2021, was the recognition of the SBA PPP loan forgiveness of $1,859,877 and recognition of COVID-19 grant revenue of $4,044,935.

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

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

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

Independent Auditor's Report

Board of Trustees
Russell Regional Hospital Board
d/b/a Russell Regional Hospital

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Russell Regional Hospital Board d/b/a Russell Regional Hospital (the County Hospital Board), a component unit of Russell County, Kansas, as of and for the years ended July 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the County Hospital Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and the discretely presented component unit of Russell Regional Hospital Board d/b/a Russell Regional Hospital, as of July 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County Hospital Board'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 opinions. 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.

623 SW 10th Avenue, Suite 300, Topeka, Kansas 66612-1679 · (785)233-4226 · (888)272-9665 · FAX: (785)233-6830
www.wnnjcpa.com · EMAIL: wnnj@wnnjcpa.com

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wendling Noe Nelson : Johnsen LLC

Topeka, Kansas
March 25, 2024

Financial Statements

Russell Regional Hospital Board
d/b/a Russell Regional Hospital
Statements of Net Position
July 31, 2023 and 2022

Assets

	2023		2022	
	Hospital Board	Component unit	Hospital Board	Component unit
Current assets				
Cash and cash equivalents	$ 237,932	$ 782,014	$ 1,672,863	$ 3,394,912
Investments	502,993	2,419,296		
Patient accounts receivable, less allowance for uncollectible accounts of $722,923 in 2023 and $895,524 in 2022		2,119,244		1,989,991
Other receivables	19,699	134,390		426,344
Due from County Hospital Board				552,930
Estimated third-party payor settlements		193,688		
Sales tax receivable	55,000		80,000	
Inventories		338,326		328,411
Prepaid expenses	3,000	126,731	6,834	116,205
Total current assets	818,624	6,113,689	1,759,697	6,808,793
Assets limited as to use				
Internally designated				
For capital assets	2,633,381		2,641,564	
For employee benefits				786,023
By contributors for capital assets	489,979		413,568	
Principal of permanent endowments	296,921		296,921	
Total assets limited as to use	3,420,281	-	3,352,053	786,023
Capital assets				
Capital assets not being depreciated	30,338	405,501	110,621	
Depreciable capital assets, net of accumulated depreciation	4,630,613	1,684,928	4,992,895	1,368,018
Lease assets, net of accumulated amortization		89,650		129,495
Total capital assets	4,660,951	2,180,079	5,103,516	1,497,513
Other assets				
Advances receivable		8,000		
Due from lessee	5,842,725		5,829,607	
Total other assets	5,842,725	8,000	5,829,607	-
Total assets	$ 14,742,581	$ 8,301,768	$ 16,044,873	$ 9,092,329

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2023		2022	
	Hospital Board	Component unit	Hospital Board	Component unit
Current liabilities				
Current portion of long-term debt	$ -	$ 69,062	$ -	$ 112,764
Current portion of lease liabilities		43,128		45,188
Accounts payable		403,902		380,116
Estimated third-party payor settlements		59,739		358,394
Accrued salaries and benefits		531,882		608,864
Accrued compensated absences		243,428		304,343
Accrued interest		281		806
Due to WCKA			552,930	
Unearned COVID-19 revenue		885,910		1,118,346
Total current liabilities	-	2,237,332	552,930	2,928,821
Noncurrent liabilities				
Long-term debt, less current portion		158,177		227,239
Lease liabilities, less current portion		63,534		106,662
Due to lessor		5,842,725		5,829,607
Total noncurrent liabilities	-	6,064,436	-	6,163,508
Total liabilities	-	8,301,768	552,930	9,092,329
Net position				
Invested in capital assets net of related debt	4,660,951		5,103,516	
Restricted				
Expendable for capital acquisitions	489,979		413,568	
Nonexpendable permanent endowments	296,921		296,921	
Unrestricted	9,294,730		9,677,938	
Total net position	14,742,581	-	15,491,943	-
Total liabilities and net position	$ 14,742,581	$ 8,301,768	$ 16,044,873	$ 9,092,329

Russell Regional Hospital Board
d/b/a Russell Regional Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years ended July 31, 2023 and 2022

	2023		2022	
	Hospital Board	Component unit	Hospital Board	Component unit
Operating revenues				
Net patient service revenue	$ -	$ 17,885,572	$ -	$ 16,543,555
Other revenue	2,112	2,612,433	2,783	1,761,602
Total operating revenues	2,112	20,498,005	2,783	18,305,157
Operating expenses				
Salaries and wages		10,884,433		10,916,689
Employee benefits		1,947,544		1,933,981
Purchased services, supplies, and other	14,379	9,298,140	138,112	7,944,358
Depreciation and amortization	680,270	395,466	682,542	338,372
Total operating expenses	694,649	22,525,583	820,654	21,133,400
Operating loss	(692,537)	(2,027,578)	(817,871)	(2,828,243)
Nonoperating revenues (expenses)				
Property taxes	676,396		583,084	
Sales taxes	700,344		610,673	
Investment income	111,266	20,597	14,452	
Interest expense		(16,575)		(15,824)
Noncapital COVID-19 grants		267,275		208,972
Noncapital other grants and contributions		52,086	7,602	146,160
Gain (loss) on disposal of capital assets		5,000		(24,156)
Total nonoperating revenues (expenses)	1,488,006	328,383	1,215,811	315,152
Excess of revenues over (under) expenses before capital grants and contributions and transfers	795,469	(1,699,195)	397,940	(2,513,091)
COVID-19 grants for capital purchases		222,528		63,613
Other capital grants and contributions	233,531	125,000	175,771	
Transfers				
Between Hospital Board and component unit	(1,364,785)	1,364,785	(552,930)	552,930
To Russell County	(426,695)		(429,145)	
Change in net position	(762,480)	13,118	(408,364)	(1,896,548)
Net position at beginning of year	15,491,943		17,796,855	
Change in obligation of lessee to lessor	13,118	(13,118)	(1,896,548)	1,896,548
Net position at end of year	$ 14,742,581	$ -	$ 15,491,943	$ -

The accompanying notes are an integral part of these statements.

Russell Regional Hospital Board
d/b/a Russell Regional Hospital
Statements of Cash Flows
Years ended July 31, 2023 and 2022

	2023		2022	
	Hospital Board	Component unit	Hospital Board	Component unit
Cash flows from operating activities				
Receipts from and on behalf of patients	$ -	$ 17,263,976	$ -	$ 13,068,583
Payments to or on behalf of employees		(12,969,874)		(13,025,741)
Payments for supplies and services	(10,545)	(9,302,795)	(142,474)	(7,856,403)
Other receipts and payments	2,112	2,904,387	2,783	1,782,256
Net cash used by operating activities	(8,433)	(2,104,306)	(139,691)	(6,031,305)
Cash flows from noncapital financing activities				
Tax levies received	1,401,740		1,193,757	
Noncapital COVID-19 grants received		34,839		1,088,787
Other noncapital other grants and contributions received		52,086	7,602	146,160
Payments on long-term debt				(19,099)
Interest paid				(172)
Transfers	(1,917,715)	1,917,715		
Net cash provided (used) by noncapital financing financing activities	(515,975)	2,004,640	1,201,359	1,215,676
Cash flows from capital and related financing activities				
Acquisition of capital assets	(237,705)	(1,078,032)	(335,542)	(386,758)
Capital COVID-19 grants received		222,528		63,613
Other capital grants and contributions received	233,531	125,000	181,716	
Proceeds from sale of capital assets		5,000		12,864
Proceeds from issuance of long-term debt				274,401
Payments on long-term debt		(112,764)		(73,405)
Payments on lease liabilities		(45,188)		(55,487)
Interest paid		(17,100)		(15,344)
Transfers to Russell County	(426,695)		(429,145)	
Net cash used by capital and related financing activities	(430,869)	(900,556)	(582,971)	(180,116)
Cash flows from investing activities				
Change in assets limited as to use and investments	(502,993)	(2,422,642)		
Interest income received	91,567	23,943	14,452	
Net cash provided (used) by investing activities	(411,426)	(2,398,699)	14,452	-
Net change in cash and cash equivalents	(1,366,703)	(3,398,921)	493,149	(4,995,745)
Cash and cash equivalents at beginning of year	4,727,995	4,180,935	4,234,846	9,176,680
Cash and cash equivalents at end of year	$ 3,361,292	$ 782,014	$ 4,727,995	$ 4,180,935

Russell Regional Hospital Board
d/b/a Russell Regional Hospital
Statements of Cash Flows - Continued
Years ended July 31, 2023 and 2022

	2023		2022	
	Hospital Board	Component unit	Hospital Board	Component unit
Reconciliation of cash and cash equivalents				
Cash	$ 237,932	$ 782,014	$ 1,672,863	$ 3,394,912
Cash included in assets limited as to use				
Internally designated	2,633,381		2,641,564	786,023
By contributors	489,979		413,568	
Total cash and cash equivalents	$ 3,361,292	$ 782,014	$ 4,727,995	$ 4,180,935
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	$ (692,537)	$ (2,027,578)	$ (817,871)	$ (2,828,243)
Adjustments to reconcile operating loss to net cash used by operating activities				
Depreciation and amortization	680,270	395,466	682,542	338,372
Provision for bad debts		804,323		1,471,204
Changes in				
Patient accounts receivable		(933,576)		(1,325,906)
Advances receivable		(8,000)		
Estimated third-party payor settlements		(492,343)		535,452
Inventories and other current assets	3,834	271,513	(4,362)	4,974
Accounts payable and accrued expenses		(114,111)		(71,436)
Medicare accelerated payments				(4,155,722)
Net cash used by operating activities	$ (8,433)	$ (2,104,306)	$ (139,691)	$ (6,031,305)

The accompanying notes are an integral part of these statements.

Russell Regional Hospital Board
d/b/a Russell Regional Hospital
Notes to Financial Statements
July 31, 2023 and 2022

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

1. Reporting entity

The Russell Regional Hospital Board d/b/a Russell Regional Hospital (the County Hospital Board) is a county hospital located in Russell, Kansas. It is a component unit of Russell County, Kansas (the County). The County Hospital Board consists of seven members elected by residents of the County. It annually levies a tax to support its activities. The County Hospital Board can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County.

For financial reporting purposes, the County Hospital Board has 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 County Hospital Board are such that the exclusion would cause the County Hospital Board's financial situation to be misleading or incomplete. The discretely presented component unit discussed in Note A2 is included in the County Hospital Board's reporting entity because of the significance of its relationship with the County Hospital Board.

2. Discretely presented component unit

West Central Kansas Association, Inc. d/b/a Russell Regional Hospital (WCKA), is a not-for-profit membership corporation organized to operate an acute care hospital and nursing facility located in Russell, Kansas. WCKA is a legally separate component unit of the County Hospital Board. WCKA was organized on June 23, 1997, and on August 1, 1997, it assumed custody of assets and liabilities related to hospital operations from the County Hospital Board pursuant to a 10-year lease agreement. The lease agreement has been extended and is in effect through July 31, 2037. At the end of the lease term, WCKA has agreed to return all of its net position to the County Hospital Board, including any property or equipment acquired after inception of the lease. Accordingly, WCKA has recorded an obligation for the estimated liability due to the County Hospital Board at termination of the lease agreement.

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

4. Basis of accounting

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

5. Cash and cash equivalents

The County Hospital Board and WCKA considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding any cash held in brokerage accounts and classified as investments. This represents an accounting policy change due to a correction of an error. The County Hospital Board incorrectly included investments with maturities of more than three months as cash equivalents prior to August 1, 2022. The effects of correcting this error for the year ended July 31, 2022 financial statements are as follows:

	Amount as previously reported	Correction of error	Amount as restated
Statement of Cash Flows			
Cash and cash equivalents at beginning of year	$4,531,767	$(296,921)	$4,234,846
Cash and cash equivalents at end of year	$5,024,916	$(296,921)	$4,727,995

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

6. Allowance for uncollectible accounts

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, WCKA analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, WCKA analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), WCKA records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

7. Inventories

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

8. Investments and investment income

Investments are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenues when earned.

9. Assets limited as to use

Assets limited as to use include assets set aside by the County Hospital Board for replacement of capital assets or for purchase of additional capital assets, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets restricted by contributors for a particular purpose; assets required by contributors to be retained in perpetuity, and assets set aside by WCKA for employee benefits, over which WCKA retains control and may, at WCKA's discretion subsequently use for other purposes. Amounts that are required for obligations classified as current liabilities are reported in current assets.

10. Capital assets

Capital assets excluding lease assets are stated at cost. Depreciation of capital assets excluding lease assets are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

Lease assets are recognized at the lease commencement date and represent the right to use an underlying asset for the lease term. Leased assets are measured at the initial value of the lease liability at the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus any initial direct costs necessary to place the lease asset into service. Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method or the same method amortizing the lease liability.

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

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

11. Lease liabilities

Lease liabilities represent obligations to make payments arising from lease agreements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on the rate implicit in the lease or the County Hospital Board or WCKA's incremental borrowing rate.

12. Grants and contributions

From time to time, the County Hospital Board and WCKA receive grants and 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 and expenses.

13. Net position

The net position of the County Hospital Board and WCKA are classified into four components. *Net position invested in capital assets* net of related debt consists of net capital assets reduced by the balances of any related outstanding debt obligations. *Restricted expendable net position* is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the County Hospital Board and WCKA. Restricted nonexpendable net position equals the principal portion of permanent endowments. *Unrestricted net position* is the remaining net position that does not meet the definitions of the other three components of net position.

14. Operating revenues and expenses

The statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the principal activity of the County Hospital Board and WCKA. Nonexchange revenues, including tax levies and noncapital grants and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

15. Net patient service revenue

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 and the provision for bad debts. 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.

16. Charity care

WCKA provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because WCKA does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

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

17. Income taxes

The County Hospital Board is exempt from federal taxes pursuant to Sections 115 and 501(a) of the Internal Revenue Code.

WCKA is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code. WCKA's management is not aware of any uncertainties in income tax positions. The years ended July 31, 2023, 2022, 2021, and 2020, remain subject to examination by both federal and state taxing authorities.

18. Adoption of accounting pronouncements

Effective August 1, 2022, the County Hospital Board and WCKA adopted Government Accounting Standards Board (GASB) Statement 96, *Subscription-based information technology arrangements* (SBITAs). GASB 96 establishes standards for financial reporting of SBITAs by government end users and defines a SBITA as a contract that conveys the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in a contract for a period of time in an exchange or exchange like transaction. Under GASB 96, a SBITA user is required to recognize an intangible right-to-use subscription asset and a subscription liability. GASB 96 requires a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest period presented (i.e., August 1, 2021). The County Hospital Board and WCKA assessed SBITAs determining they were not material. Adoption of GASB 96 did not result in changes to previously reported amounts to the financial statements, and therefore, no subscription assets or liabilities were recorded as a result of implementing GASB 96.

19. Subsequent events

The County Hospital Board and WCKA have evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

Note B - Net Patient Service Revenue

WCKA has agreements with third-party payors that provide for payments to it at amounts different from its established charge rates. The amounts reported on the statement of net position as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - WCKA is a critical access hospital for purposes of the Medicare program. Hospital and rural health clinic (RHC) services rendered to Medicare beneficiaries are paid under cost reimbursement methodologies. Physician services, other than RHC services, rendered to Medicare beneficiaries are paid based on a prospectively determined fee schedule. WCKA is paid for cost reimbursable items at tentative rates with final settlements determined after submission of annual cost reports by WCKA and audits or reviews thereof by the Medicare administrative contractor. WCKA'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. WCKA's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through July 31, 2021.

Note B - Net Patient Service Revenue - Continued

Medicaid - Hospital services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. RHC services rendered to Medicaid beneficiaries are paid at a prospectively determined rate per occasion of service. Physician services, other than RHC services, rendered to Medicaid beneficiaries are paid on a prospectively determined fee schedule. Nursing facility services are paid at prospectively determined per diem rates set annually on the basis of cost information supplied by nursing facilities for preceding calendar years.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross and Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

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

A summary of gross and net patient service revenue follows:

	2023	2022
Gross patient service revenue	$ 29,572,773	$ 28,297,807
Contractual adjustments	(10,687,783)	(10,169,467)
Charity care	(195,095)	(113,581)
Patient service revenue	18,689,895	18,014,759
Provision for bad debts	(804,323)	(1,471,204)
Net patient service revenue	$ 17,885,572	$ 16,543,555

Patient service revenue, net of contractual adjustments and charity care (but before the provision for bad debts) by major payor sources is as follows:

	2023	2022
Medicare	$ 9,280,614	$ 8,988,683
Medicaid	2,175,577	1,782,364
Blue Cross	3,157,089	3,569,009
Other third-party payors	2,600,286	2,285,043
Patients	1,476,329	1,389,660
Patient service revenue	$ 18,689,895	$ 18,014,759

Revenue from the Medicare and Medicaid programs accounted for approximately 50 percent and 12 percent, respectively, of WCKA's patient service revenue net of contractual adjustments and charity care during the year ended July 31, 2023, and 50 percent and 10 percent, respectively, of WCKA's patient service revenue net of contractual adjustments and charity care during the year ended July 31, 2022. Laws and regulations governing the Medicare and Medicaid 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.

Note B - Net Patient Service Revenue - Continued

WCKA is dedicated to providing both services and leadership in caring for the needy and accepts all patients regardless of the ability to pay. WCKA provides such care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since WCKA does not attempt to collect amounts initially determined to qualify as charity care, such charges are not included in net patient service revenue. The costs incurred in providing these services of approximately $131,000 and $78,000 during the years ended July 31, 2023 and 2022, are included in WCKA's operating expenses and are estimated using WCKA's overall cost-to-charge ratio. In addition, WCKA provides care for medically indigent patients covered under the Medicaid welfare program at rates substantially below standard charges.

Note C - Allowance for Uncollectible Accounts

WCKA's allowance for uncollectible accounts on amounts due from patients was 67 percent and 77 percent of self-pay accounts receivable as of July 31, 2023 and 2022, respectively. WCKA's net bad debt write-offs were $976,925 and $1,459,294 for the years ended July 31, 2023 and 2022, respectively. WCKA did not change its charity care or uninsured discount policies during the years ended July 31, 2023 and 2022. WCKA does not maintain a material allowance for uncollectible accounts from third-party payors, nor has it incurred any significant bad debt write-offs from third-party payors.

Note D - Deposits with Financial Institutions

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 County Hospital Board's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Kansas statutes authorize the County Hospital Board, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, and the State Treasurer's investment pool. Kansas statutes also require that collateral be pledged for bank deposits with a fair market value equal to 100 percent of the uninsured amounts and must be assigned for the benefit of the County Hospital Board.

At July 31, 2023, the carrying amounts of bank deposits, including certificates of deposit and brokered certificates of deposit, were $4,161,206 for the County Hospital Board and $3,200,110 for WCKA. The bank balances for the two entities were $4,161,316 and $3,790,567, respectively. Of the County Hospital Board's bank balances, $1,000,000 was covered by federal depository insurance, $3,158,323 was covered by collateral held by a third-party bank but not registered in the name of the County Hospital Board, and $2,993 was unsecured and uncollateralized. Of WCKA's bank balances, $2,560,455 was covered by federal depository insurance and $1,230,112 was covered by collateral held by a third-party bank but not registered in the name of WCKA.

Note D - Deposits with Financial Institutions - Continued

Bank deposits are included in the financial statements under the following categories:

	2023		2022	
	Hospital Board	Component unit	Hospital Board	Component unit
Unrestricted funds				
Cash and cash equivalents	$ 237,932	$ 780,814	$ 1,672,863	$ 3,393,712
Investments	502,993	2,419,296		
Assets limited as to use				
Internally designated				
For capital assets	2,633,381		2,641,564	
For employee benefits				786,023
By contributors for capital assets	489,979		413,568	
Principal of permanent endowments	296,921		296,921	
Total bank deposits	$ 4,161,206	$ 3,200,110	$ 5,024,916	$ 4,179,735

Note E - Assets Limited as to Use

The composition of assets limited as to use is as follows:

	2023		2022	
	Hospital Board	Component unit	Hospital Board	Component unit
Internally designated				
For capital assets				
Cash	$ 2,633,381	$ -	$ 2,641,564	$ -
For employee benefits				
Cash	$ -	$ -	$ -	$ 786,023
By contributors for capital assets				
Cash	$ 489,979	$ -	$ 413,568	$ -
Principal of permanent endowments				
Certificates of deposit	$ 296,921	$ -	$ 296,921	$ -

Note F - Investments

The composition of investments is as follows:

	2023		2022	
	Hospital Board	Component unit	Hospital Board	Component unit
Cash	$ -	$ 1,643	$ -	$ -
Certificates of deposit	502,993	400,000		
Brokered certificates of deposit		2,017,653		
	$ 502,993	$ 2,419,296	$ -	$ -

Note G - Fair Value of Investments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined according to a hierarchy that gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. These inputs are described as follows:

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Brokered certificates of deposits are valued at unadjusted quoted prices for identical securities in active markets.

The following table sets forth, by level, WCKA's assets measured at fair value on a recurring basis:

	2023			
	Level 1	Level 2	Level 3	Total
Brokered certificates of deposit	$ 2,017,653	$ -	$ -	$ 2,017,653

Note G - Fair Value of Investments - Continued

Investment income for cash and cash equivalents, assets limited as to use, and investments is comprised of the following:

	2023		2022	
	Hospital Board	Component unit	Hospital Board	Component unit
Interest	$ 111,266	$ 23,943	$ 14,452	$ -
Unrealized loss		(3,346)		
	$ 111,266	$ 20,597	$ 14,452	$ -

Note H - Capital Assets

Capital asset activity for the County Hospital Board is as follows:

	2023			
	Beginning balance	Transfers and additions	Reclasses and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 338	$ -	$ -	$ 338
Construction in progress	110,283	(80,283)		30,000
Total capital assets not being depreciated	110,621	(80,283)	-	30,338
Capital assets being depreciated				
Land improvements	191,496			191,496
Buildings and fixed equipment	14,997,247	317,988		15,315,235
Major movable equipment	3,550,328			3,550,328
Total capital assets being depreciated	18,739,071	317,988	-	19,057,059
Less accumulated depreciation				
Land improvements	46,570	10,474		57,044
Buildings and fixed equipment	10,736,736	518,485		11,255,221
Major movable equipment	2,962,870	151,311		3,114,181
Total accumulated depreciation	13,746,176	680,270	-	14,426,446
Total capital assets being depreciated, net	4,992,895	(362,282)	-	4,630,613
Capital assets, net	$ 5,103,516	$ (442,565)	$ -	$ 4,660,951

Note H - Capital Assets - Continued

	2022			
	Beginning balance	Transfers and additions	Reclasses and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 338	$ -	$ -	$ 338
Construction in progress		110,283		110,283
Total capital assets not being depreciated	338	110,283	-	110,621
Capital assets being depreciated				
Land improvements	191,496			191,496
Buildings and fixed equipment	14,771,988	225,259		14,997,247
Major movable equipment	3,550,328			3,550,328
Total capital assets being depreciated	18,513,812	225,259	-	18,739,071
Less accumulated depreciation				
Land improvements	36,097	10,473		46,570
Buildings and fixed equipment	10,227,615	509,121		10,736,736
Major movable equipment	2,799,922	162,948		2,962,870
Total accumulated depreciation	13,063,634	682,542	-	13,746,176
Total capital assets being depreciated, net	5,450,178	(457,283)	-	4,992,895
Capital assets, net	$ 5,450,516	$ (347,000)	$ -	$ 5,103,516

At July 31, 2023, the County Hospital Board's outstanding commitments for capital assets were approximately $139,000.

Note H - Capital Assets - Continued

Capital asset activity for WCKA is as follows:

	2023			
	Beginning balance	Transfers and additions	Reclasses and retirements	Ending balance
Capital assets not being depreciated				
Construction in progress	$ -	$ 405,501	$ -	$ 405,501
Total capital assets not being depreciated	-	405,501	-	405,501
Capital assets being depreciated				
Land improvements	237,874			237,874
Fixed equipment	1,013,358	5,500		1,018,858
Major movable equipment	4,656,607	667,031	(106,425)	5,217,213
Total capital assets being depreciated	5,907,839	672,531	(106,425)	6,473,945
Less accumulated depreciation				
Land improvements	215,609	4,514		220,123
Fixed equipment	962,069	8,381		970,450
Major movable equipment	3,362,143	342,726	(106,425)	3,598,444
Total accumulated depreciation	4,539,821	355,621	(106,425)	4,789,017
Total capital assets being depreciated, net	1,368,018	316,910	-	1,684,928
Lease assets being amortized				
Major movable equipment	358,601			358,601
Total lease assets being amortized	358,601	-	-	358,601
Less accumulated amortization				
Major movable equipment	229,106	39,845		268,951
Total accumulated amortization	229,106	39,845	-	268,951
Total lease assets being amortized	129,495	(39,845)	-	89,650
Capital assets, net	$ 1,497,513	$ 682,566	$ -	$ 2,180,079

Note H - Capital Assets - Continued

	2022			
	Beginning balance	Transfers and additions	Reclasses and retirements	Ending balance
Capital assets not being depreciated				
Construction in progress	$ 25,760	$ (25,760)	$ -	$ -
Total capital assets not being depreciated	25,760	(25,760)	-	-
Capital assets being depreciated				
Land improvements	237,874			237,874
Fixed equipment	998,495	14,863		1,013,358
Major movable equipment	4,242,747	397,655	16,205	4,656,607
Total capital assets being depreciated	5,479,116	412,518	16,205	5,907,839
Less accumulated depreciation				
Land improvements	209,883	5,726		215,609
Fixed equipment	956,936	5,133		962,069
Major movable equipment	3,069,615	276,323	16,205	3,362,143
Total accumulated depreciation	4,236,434	287,182	16,205	4,539,821
Total capital assets being depreciated, net	1,242,682	125,336	-	1,368,018
Lease assets being amortized				
Major movable equipment	452,066		(93,465)	358,601
Total lease assets being amortized	452,066	-	(93,465)	358,601
Less accumulated amortization				
Major movable equipment	234,361	51,190	(56,445)	229,106
Total accumulated amortization	234,361	51,190	(56,445)	229,106
Total lease assets being amortized	217,705	(51,190)	(37,020)	129,495
Capital assets, net	$ 1,486,147	$ 48,386	$ (37,020)	$ 1,497,513

At July 31, 2023, WCKA's outstanding commitments for capital assets were approximately $309,000.

Note H - Capital Assets - Continued

On November 4, 2003, a majority of the qualified electors of the County approved, at a special bond election, the question of whether to issue general obligation bonds of the County in an amount not to exceed $5,500,000 to pay the costs of making improvements to the hospital facility. The County issued its General Obligation Hospital Bonds, Series 2004, on July 1, 2004, in the amount of $5,500,000. Costs incurred by the County Hospital Board subsequent to issuance of the bonds for renovations and additions to its facility were submitted to the County for reimbursement from the bond proceeds. Reimbursements received and costs paid directly from the bond proceeds were recorded as capital contributions.

On May 15, 2012, the County issued its General Obligation Hospital Refunding Bonds, Series 2012, in the amount of $4,530,000. The proceeds of the 2012 bonds along with other funds, were used to refund the Series 2004 bonds and to pay costs related to the issuance of the 2012 bonds.

To the extent that resources are available, the County Hospital Board and WCKA have agreed to transfer funds to the County for purposes of making principal and interest payments on the bonds as they come due. However, it is uncertain what amounts, if any, the two entities will be able to transfer to the County in future periods. The County Hospital Board transferred $426,695 and $429,145 to the County during 2023 and 2022, respectively, to pay principal and interest due on the bonds.

Note I - Unearned COVID-19 Revenue

Unearned revenue consists of federal financial assistance through the CARES Act and subsequent legislation from the United States Department of Health and Human Services (HHS). WCKA received provider relief funds to be used to prevent, prepare for, and respond to coronavirus (COVID-19) and to reimburse WCKA for health care related expenses and lost revenues as defined by HHS, that are attributable to COVID-19. WCKA also received COVID-19 grants from other sources. These funds are considered voluntary nonexchange transactions subject to the eligibility requirements and are recognized as unearned revenues until the eligibility requirements have been satisfied. Once eligibility requirements are satisfied, the amounts are included in nonoperating revenues, COVID-19 grants, and COVID-19 grants for capital purchases. The terms and conditions of the programs are complex and are subject to interpretation and evolving guidance. As a result, there is a reasonable possibility that recorded amounts could change by a material amount in the near term.

At July 31**,** 2023 and 2022, WCKA's unearned COVID-19 revenue was $885,910 and $1,118,346, respectively, which is included in current liabilities on the statement of net position. During the years ended July 31, 2023 and 2022, WCKA recognized $489,803 and $272,585, respectively, as revenue, included as nonoperating activities and capital grants.

Note J - Long-term Debt

WCKA's long-term debt obligations are summarized as follows:

	2023	2022
5.00% financed capital purchase agreement entered into August 11, 2017, in the original amount of $332,627, payable in monthly installments of $5,357 including interest, through October 21, 2023, collateralized by radiology equipment with an amortized cost of $14,815	$ 15,938	$ 77,738
4.20% financed capital purchase agreement entered into March 23, 2022, in the original amount of $274,401, payable in monthly installments of $5,084 including interest, through April 1, 2027, collateralized by pharmacy equipment with an amortized cost of $178,361	211,301	262,265
	227,239	340,003
Less current portion of long-term debt	69,062	112,764
Long-term debt, less current portion	$ 158,177	$ 227,239

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

	2023	2022
Outstanding at beginning of year	$ 340,003	$ 158,106
Obligations incurred		274,401
Principal payments	(112,764)	(92,504)
Outstanding at end of year	$ 227,239	$ 340,003

Scheduled payments on WCKA's long-term debt are as follows:

	Principal	Interest	Total
2024	$ 69,062	$ 8,018	$ 77,080
2025	55,421	5,589	61,010
2026	57,793	3,217	61,010
2027	44,963	795	45,758
	$ 227,239	$ 17,619	$ 244,858

Note K - Lease Liabilities

WCKA leases certain equipment, the terms of which expire in various years through 2026. Payments are based on each specific lease agreement. WCKA's leases do not contain variable lease payments or residual value guarantees. The following is a summary of lease liabilities as of July 31:

	2023	2022
Current portion of lease liabilities	$ 43,128	$ 45,188
Noncurrent portion of lease liabilities	63,534	106,662
Total lease liabilities	$ 106,662	$ 151,850

The following is a summary of changes in lease liabilities:

	2023	2022
Outstanding at beginning of year	$ 151,850	$ 221,984
Principal payments	(45,188)	(55,487)
Reduction of lease liability due to disposal of lease asset		(14,647)
Outstanding at end of year	$ 106,662	$ 151,850

Scheduled lease liability payments for the years ending July 31 are as follows:

	Principal	Interest	Total
2024	$ 43,128	$ 2,802	$ 45,930
2025	44,540	1,390	45,930
2026	18,994	144	19,138
Total minimum lease payments	$ 106,662	$ 4,336	$ 110,998

Note L - Other Support

WCKA is dependent on the County Hospital Board for continuing operations. The support consists of either loans (in the form of noninterest-bearing notes) or direct equity transfers. The County Hospital Board recognized transfers to WCKA of $1,364,785 and $552,930 for the years ended July 31, 2023 and 2022, respectively.

Note M - Pension Plan

WCKA sponsors the Russell Regional Hospital 401(k) Plan (the Plan) a defined contribution plan. The Plan covers substantially all full-time employees who have completed one year of service and are at least 21 years of age. WCKA's contributions to the Plan are 50 percent of each participant's elective deferral, not to exceed 4 percent of the participant's compensation. Participants may defer their annual gross wages up to the maximum amount allowed by law. Participant contributions are 100 percent vested at all times and employer contributions are 100 percent vested after three years of service. Employer contributions provisions, including contribution requirements, may be amended by WCKA. Contributions to the Plan for the year ended July 31, 2023, were approximately $371,525, which consisted of $94,436 from WCKA and $277,089 from employees. Contributions to the Plan for the year ended July 31, 2022, were approximately $431,289, which consisted of $92,477 from WCKA and $338,812 from employees.

Note N - Concentration of Credit Risk

WCKA grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors is summarized as follows:

	2023	2022
Medicare	35.8 %	34.8 %
Medicaid	9.0	8.9
Blue Cross	11.0	12.3
Other insurance	17.8	15.3
Patients	26.4	28.7
	100.0 %	100.0 %

Note O - Risk Management

For the years ended July 31, 2023 and 2022, WCKA was insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $500,000 per occurrence up to an annual aggregate of $1,500,000 for all claims made during the policy year. WCKA is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $500,000 pursuant to any one judgment or settlement against it for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $1,500,000. The policy provided by the independent insurance carrier provides for umbrella liability coverage in excess of the underlying limits set forth above in the amount of $1,000,000 per occurrence with an aggregate amount in any policy year of $3,000,000. All coverage is on a claims-made basis. The above policies are currently in effect through August 1, 2024. WCKA intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under WCKA's incident reporting system has been made because the amount is not reasonably estimable. Based on historical experience and present conditions, it is the opinion of management that any claims or expenses for unasserted claims related to periods prior to July 31, 2023, will have no material effect on the financial statements of WCKA or the County Hospital Board.

Note O - Risk Management - Continued

In addition to the risks disclosed elsewhere in these financial statements and notes thereto, the County Hospital Board and WCKA are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County Hospital Board and WCKA purchase commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note P - Related Party Transactions

A board of trustee member of the County Hospital Board is a vice-president at a local bank. At July 31, 2023, the County Hospital Board had approximately $253,000 of deposits with this bank. See Note L for transactions between the County Hospital Board and WCKA.

Note Q - Subsequent Events

Subsequent to July 31, 2023, WCKA has committed to the purchase of an ultrasound system of approximately $134,000.