Independent Auditor's Report and Financial Statements

Goodland Regional Medical Center

December 31, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Goodland Regional Medical Center

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Goodland Regional Medical Center (Medical Center), a component unit of Sherman 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 the 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 the business-type activities of the Medical Center as of December 31, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Medical Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 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 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.

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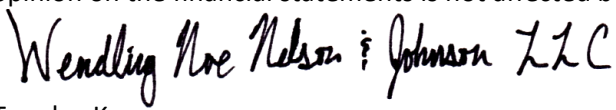
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 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 the 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

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



Topeka, Kansas
May 8, 2024

Financial Statements

Goodland Regional Medical Center
Statements of Net Position
December 31, 2023 and 2022

Assets

	2023	2022
Current assets		
Cash and invested cash	$ 14,403,741	$ 11,870,031
Patient accounts receivable, net of allowance for uncollectible accounts of $5,469,961 in 2023 and $4,346,784 in 2022 (Note A5)	2,283,186	2,277,081
Other receivables	542,692	325,683
Estimated third-party payor settlements (Note C)	84,165	1,404,826
Inventories (Note A6)	849,557	624,648
Prepaid expenses	89,273	132,048
Total current assets	18,252,614	16,634,317
Assets limited as to use		
By Board of Trustees (Note D)	548,383	670,810
Capital assets - net (Notes A7 and E)		
Capital assets not being depreciated	334,509	325,318
Depreciable capital assets, net of accumulated depreciation	2,228,820	2,266,969
Leased assets, net of accumulated amortization	883,878	1,215,494
Total capital assets, net	3,447,207	3,807,781
Total assets	$ 22,248,204	$ 21,112,908

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2023	2022
Current liabilities		
Current portion of lease liabilities (Note G)	$ 455,184	$ 445,148
Accounts payable and other accrued expenses	1,035,198	1,107,064
Salaries, wages, and related withholdings payable	558,622	521,157
Accrued compensated absences	431,174	371,092
Estimated third-party payors settlements (Note C)	100,000	100,000
Total current liabilities	2,580,178	2,544,461
Long-term liabilities		
Lease liabilities, net of current portion (Note G)	668,014	1,123,198
Total liabilities	3,248,192	3,667,659
Net position (Note A8)		
Invested in capital assets, net of related debt	2,324,009	2,239,436
Unrestricted	16,676,003	15,205,813
Total net position	19,000,012	17,445,249
Total liabilities and net position	$ 22,248,204	$ 21,112,908

Goodland Regional Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2023 and 2022

	2023	2022
Operating revenues		
Net patient service revenue	$20,760,212	$20,271,857
Other	2,985,650	1,582,056
Total operating revenues	23,745,862	21,853,913
Operating expenses		
Salaries and wages	8,469,602	8,288,300
Employee benefits	1,966,046	1,695,643
Supplies	4,565,568	4,308,547
Purchased services	1,666,481	1,351,940
Professional fees	4,695,162	3,960,863
Lease and rental expense	411,540	452,552
Utilities	255,954	266,221
Insurance	132,908	124,825
Travel	21,379	17,260
Other	261,604	225,061
Depreciation and amortization	679,909	787,330
Total operating expenses	23,126,153	21,478,542
Operating income	619,709	375,371
Nonoperating revenues (expenses)		
County appropriations	634,100	661,208
Interest income	270,004	42,152
Interest expense	(31,805)	(35,342)
Gain (loss) on disposal of assets	665	(47,689)
COVID-19 grant revenues		65,424
Noncapital grants and contributions	38,836	167,212
Total nonoperating revenues	911,800	852,965
Revenues over expenses before capital grants and contributions	1,531,509	1,228,336
Capital grants and contributions	23,254	284,839
Change in net position	1,554,763	1,513,175
Net position at beginning of year	17,445,249	15,932,074
Net position at end of year	$19,000,012	$17,445,249

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Statements of Cash Flows
Years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Receipts from and on behalf of patients	$22,074,768	$18,027,234
Payments to or on behalf of employees	(10,338,101)	(9,967,173)
Payments to suppliers	(12,659,037)	(10,968,285)
Other receipts and payments	2,985,650	1,582,056
Net cash provided (used) by operating activities	2,063,280	(1,326,168)
Cash flows from noncapital financing activities		
County appropriations	634,100	661,208
Proceeds from CARES Act funding		65,424
Repayment of Medicare and Blue Cross accelerated payments		(3,491,229)
Noncapital grants and contributions	38,836	167,212
Net cash provided (used) by noncapital financing activities	672,936	(2,597,385)
Cash flows from capital and related financing activities		
Purchase of capital assets	(141,903)	(589,362)
Contributions for purchase of capital assets	23,254	284,839
Proceeds from disposal of capital assets	665	23,518
Principal payments on lease liabilities	(445,148)	(408,292)
Interest paid on lease liabilities	(31,805)	(35,342)
Net cash used by capital and related financing activities	(594,937)	(724,639)
Cash flows from investing activities		
Physician advances paid		(25,000)
Interest received	270,004	42,152
Net cash provided by investing activities	270,004	17,152
Change in cash and cash equivalents	2,411,283	(4,631,040)
Cash and cash equivalents at beginning of year	12,540,841	17,171,881
Cash and cash equivalents at end of year	$14,952,124	$12,540,841

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Statements of Cash Flows - Continued
Years ended December 31, 2023 and 2022

	2023	2022
Reconciliation of cash and cash equivalents to the statements of financial position		
Cash and cash equivalents included in current assets	$ 14,403,741	$ 11,870,031
Cash included in assets whose use is limited	548,383	670,810
	$ 14,952,124	$ 12,540,841
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	$ 619,709	$ 375,371
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation and amortization	679,909	787,330
Provision for bad debts	1,428,380	1,344,076
Amortization of student and other loans	13,292	13,407
Changes in		
Accounts receivable	(1,664,786)	(1,094,349)
Estimated third-party payor settlements	1,320,661	(2,732,897)
Inventories and prepaid expenses	(182,134)	(3,920)
Accounts payable and accrued expenses	(151,751)	(15,186)
Net cash provided (used) by operating activities	$ 2,063,280	$ (1,326,168)
Supplemental schedule of noncash financing activities		
Lease liabilities incurred	$ -	$ 463,816

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Notes to Financial Statements
December 31, 2023 and 2022

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

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Financial reporting entity

Goodland Regional Medical Center (Medical Center) is located in Goodland, Kansas, and operates a 22-bed hospital. The Medical Center also provides rural health clinic services to the community. The Medical Center is owned by Sherman County, Kansas (County), and is governed by a seven-member Board of Trustees appointed by the County Commissioners. The Medical Center is a component unit of the County.

The Northwest Kansas Area Medical Foundation, Inc. (Foundation), is a component unit of the Medical Center. Management has determined that the assets of the Foundation as of December 31, 2023 and 2022, are not material to the financial statements of the Medical Center and, thus, the 2023 and 2022 financial statements do not include the financial data of the Foundation.

2. Basis of accounting

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

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

4. Cash and cash equivalents

The Medical Center considers all highly-liquid investment instruments, including assets whose use is limited, purchased with a maturity of six months or less to be cash and cash equivalents.

5. Patient accounts receivable

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

6. Inventories

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

7. Capital assets

Capital assets are stated at historical cost. Depreciation and amortization of capital 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.

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

Leased assets are recognized at the lease commencement date and represent the Medical Center's 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.

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.

8. Net position

Net position is classified in two components. "Net position invested in capital assets net of related debt" consists of capital assets net of accumulated depreciation and amortization and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Unrestricted net position" is the remaining net position that does not meet the definition of "invested in capital assets net of related debt."

9. 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 Medical Center's principal activity. Nonexchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services other than financing costs.

10. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, the provision for bad debts, and contractual adjustments, 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.

11. Charity care

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

12. Grants and contributions

From time to time, the Medical Center receives grants and contributions from individuals and other organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for 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.

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

13. Income taxes

The Medical Center is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

14. Adoption of accounting pronouncements

As of January 1, 2023, the Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 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., January 1, 2022). The Medical Center 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.

15. Subsequent events

The Medical Center has 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 - Charity Care

The Medical Center maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under its charity care policy for 2023 and 2022, was $296,167 and $125,405, respectively. The Medical Center estimates that the cost of providing charity care, based on overall cost to charge ratios obtained from the Medical Center's cost reports, was $161,000 and $70,000 for 2023 and 2022, respectively.

Note C - Reimbursement Programs

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established charge rates. The amounts reported on the statements 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 - Services rendered to Medicare program beneficiaries are paid under the provisions applicable to critical access hospitals. Payments to the Medical Center under the critical access hospital provisions are primarily based on various cost reimbursement methodologies. Physician services are generally paid at prospectively determined rates. The Medical Center is paid for cost reimbursable items at a tentative rate with the final settlement determined after submission of annual cost reports by the Medical Center and audits or reviews thereof by the Medicare administrative contractor. The Medical Center'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 Medical Center's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2021.

Note C - Reimbursement Programs - Continued

Medicaid - Inpatient and outpatient 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. The Medical Center receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis and are not subject to retroactive adjustment. The Medical Center also receives disproportionate share hospital payments based on uncompensated care related to Medicaid and uninsured patients. Third-party contractual adjustments include approximately $157,000 and $313,000 of disproportionate share Medicaid payments received by the Medical Center for the years ended December 31, 2023 and 2022, respectively.

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.

Revenue from the Medicare and Medicaid programs accounted for approximately 62 and 6 percent, respectively, of the Medical Center's net patient service revenue during 2023 and 62 and 8 percent, respectively, of the Medical Center's net patient service revenue during 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 could change by a material amount in the near term.

A summary of gross and net patient service revenue follows:

	2023	2022
Gross patient service revenue	$ 39,599,340	$ 37,405,058
Adjustments to patient service revenue		
Third-party contractual adjustments, discounts, and allowances	(17,114,581)	(15,663,720)
Provision for bad debts	(1,428,380)	(1,344,076)
Charity care	(296,167)	(125,405)
Net patient service revenue	$ 20,760,212	$ 20,271,857

Note D - Assets Whose Use is Limited by Board of Trustees

Assets whose use is limited by Board of Trustees consist of invested cash to be used for replacement of capital assets or for the purchase of additional capital assets. The funds may be used for other purposes by action of the Board of Trustees.

Note E - Capital Assets

Medical Center capital asset additions, retirements, and balances are as follows:

	2023			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 65,840	$ -	$ -	$ 65,840
Projects in progress	259,478	9,191		268,669
Total capital assets not being depreciated	325,318	9,191	-	334,509
Capital assets being depreciated				
Land improvements	229,158			229,158
Buildings	3,827,277	154,178		3,981,455
Fixed equipment	2,108,280		17,274	2,091,006
Major movable equipment	9,373,836	155,966	4,310,044	5,219,758
Total capital assets being depreciated	15,538,551	310,144	4,327,318	11,521,377
Less accumulated depreciation and amortization				
Land improvements	211,377	1,741		213,118
Buildings	3,367,820	42,429		3,410,249
Fixed equipment	1,635,249	64,460	17,274	1,682,435
Major movable equipment	8,057,136	239,663	4,310,044	3,986,755
Total accumulated depreciation and amortization	13,271,582	348,293	4,327,318	9,292,557
Total capital assets being depreciated, net	2,266,969	(38,149)	-	2,228,820
Leased assets				
Major movable equipment	2,471,568			2,471,568
Less accumulated amortization	1,256,074	331,616		1,587,690
Leased assets, net	1,215,494	(331,616)	-	883,878
Total capital assets, net	$ 3,807,781	$ (360,574)	$ -	$ 3,447,207

Note E - Capital Assets - Continued

	2022			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 65,840	$ -	$ -	$ 65,840
Projects in progress	13,800	245,678		259,478
Total capital assets not being depreciated	79,640	245,678	-	325,318
Capital assets being depreciated				
Land improvements	229,158			229,158
Buildings	3,774,584	52,693		3,827,277
Fixed equipment	2,085,489	22,791		2,108,280
Major movable equipment	9,371,356	268,374	265,894	9,373,836
Total capital assets being depreciated	15,460,587	343,858	265,894	15,538,551
Less accumulated depreciation and amortization				
Land improvements	209,326	2,051		211,377
Buildings	3,329,079	38,741		3,367,820
Fixed equipment	1,558,282	76,967		1,635,249
Major movable equipment	7,996,246	257,366	196,476	8,057,136
Total accumulated depreciation and amortization	13,092,933	375,125	196,476	13,271,582
Total capital assets being depreciated, net	2,367,654	(31,267)	69,418	2,266,969
Leased assets				
Major movable equipment	2,455,930	573,641	558,003	2,471,568
Less accumulated amortization	1,290,084	413,459	447,469	1,256,074
Leased assets, net	1,165,846	160,182	110,534	1,215,494
Total capital assets, net	$ 3,613,140	$ 374,593	$ 179,952	$ 3,807,781

Note F - COVID-19 Grant Revenue

COVID-19 grant revenue consisted of federal financial assistance through the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, and subsequent legislation, received from the United States Department of Health and Human Services (HHS). The Medical Center received $65,424 of provider relief funds during 2022. The provider relief funds were used to prevent, prepare for, and respond to coronavirus and to reimburse the Medical Center for healthcare related expenses and lost revenues as defined by HHS, that are attributable to coronavirus, until such eligibility requirements were met. These funds were considered voluntary nonexchange transactions subject to eligibility requirements and were recognized as refundable advance liabilities until such time the conditions were met. The Medical Center determined that the conditions were met for recognizing revenue of $65,424 in 2022 related to these refundable advance liabilities and, therefore, these amounts were recognized as nonoperating revenues.

Note G - Lease Liabilities

Lease liabilities are summarized as follows:

	2023	2022
Equipment lease liabilities; implied interest rates ranging from 0.57 - 6.61%; payable in monthly installments ranging from $680 - $22,344 through March 2025 - May 2027	$ 1,123,198	$ 1,568,346
Less current maturities of lease liabilities	(455,184)	(445,148)
Noncurrent portion	$ 668,014	$ 1,123,198

The following is a summary of changes in lease liabilities:

Outstanding at January 1, 2022	$ 1,512,822
Additions	463,816
Principal payments	(408,292)
Outstanding at December 31, 2022	1,568,346
Principal payments	(445,148)
Outstanding at December 31, 2023	$ 1,123,198

Scheduled future lease liability payments are as follows:

	Principal	Interest	Total
2024	$ 455,184	$ 21,769	$ 476,953
2025	459,411	11,422	470,833
2026	172,545	3,520	176,065
2027	36,058	333	36,391
	$ 1,123,198	$ 37,044	$ 1,160,242

Rental expense for all leases consisted of the following:

	2023	2022
Amortization of leased assets	$ 331,616	$ 413,459
Interest on lease liabilities	31,805	35,257
Short-term leases	410,027	452,552
	$ 773,448	$ 901,268

Note H - Risk Management

The Medical Center is 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. The Medical Center 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 the Medcial Center 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. All coverage is on a claims-made basis. The above policies are currently in effect through February 15, 2025. The Medical Center intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Medical Center is 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 Medical Center purchases commercial insurance for these risks.

Note I - Deposits with Financial Institutions

Kansas statutes authorize the Medical Center, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, the State Treasurer's investment pool, and U.S. Treasury bills and notes. Also, statutes require that financial institutions pledge securities with a market value equal to total deposits in excess of F.D.I.C. coverage at any given time and the securities pledged be deposited with a Kansas state or national bank or trust company, the Federal Reserve Bank, the Federal Home Loan Bank, or the Kansas State Treasurer.

The carrying amount of the Medical Center's deposits with financial institutions were $14,951,999, and the bank balances were $15,475,510 at December 31, 2023.

The bank balance is categorized as follows at December 31, 2023:

Amount insured by the F.D.I.C., or collateralized with securities held by the Medical Center or by its agent in the Medical Center's name	$ 15,254,918
Uncollateralized (amount collateralized with securities held in safekeeping by an authorized depository other than the pledging financial institution's trust department, but not in the Medical Center's name)	220,592
	$ 15,475,510

Note J - Pension Plan

The Medical Center provides pension benefits for certain full-time employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The payroll for employees covered by the plan for 2023 and 2022 was approximately $6,720,000 and $5,830,000, respectively. The total payroll for 2023 and 2022 was approximately $8,470,000 and $8,288,000, respectively.

Employees must be at least 21 years of age to be eligible to participate. All employees must have completed one year of service at the Medical Center to be eligible. The plan provides that the employee contribute 2.0 percent of the employee's annual salary and the Medical Center contribute 4.0 percent of the employee's annual salary.

Note J - Pension Plan - Continued

Contributions to the plan made by an employee vest immediately and contributions to the plan made by the Medical Center vest based upon the plan vesting schedule and the employee's years of service with the Medical Center. Contributions to the plan are invested in annuity contracts with an insurance company. Total contributions to the plan during 2023 were approximately $616,000, which consisted of employer contributions of approximately $269,000 and employee contributions of approximately $347,000. These contributions represented 4.0 percent and 5.2 percent of covered payroll, respectively. Total contributions to the plan during 2022 were approximately $545,000, which consisted of employer contributions of approximately $233,000 and employee contributions of approximately $312,000. These contributions represented 4.0 percent and 5.4 percent of covered payroll, respectively.

Note K - Employee and Dependent Health Insurance Plan

The Medical Center sponsors an employee benefit plan which provides partially self-insured employee and dependent health insurance benefits for which substantially all full-time employees of the Medical Center are eligible. The Medical Center has agreed to fund the plan for annual costs and expenses of the plan including costs of benefits and insurance premiums and to withhold and remit to the plan any required employee contributions.

The Medical Center has reinsured a portion of its risk for health insurance claims of its employees. The reinsurance arrangement generally covers claims totaling over $50,000 for each covered individual on an annual basis. The reinsurance arrangement also provides annual aggregate claims coverage for the Medical Center. The Medical Center has appointed an independent third party to provide administrative services to the plan which include review and payment of claims.

The following is a summary of the activity under this arrangement:

	2023	2022
Estimated liability for employee health insurance claims at the beginning of the year	$ 106,669	$ 105,331
Provision for Medical Center's share of incurred claims and reinsurance expense for the year, net of any reinsurance proceeds	769,792	474,842
Employee contributions	228,229	245,890
Payments made for claims and related expenses	(997,371)	(719,394)
Estimated liability for employee health insurance claims at the end of the year (included in salaries, wages, and related withholdings payable in the statements of net position)	$ 107,319	$ 106,669

Note L - Related Party Transactions

Sherman County levies and collects property taxes for the benefit of the Medical Center. The Medical Center received $634,100 and $661,208 in tax appropriations from Sherman County in 2023 and 2022, respectively. The Medical Center also received $16,680 and $109,936 in contributions from the Foundation during 2023 and 2022, respectively.