Rawlins County Health Center
A Component Unit of Rawlins County, Kansas

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Rawlins County Health Center
Atwood, Kansas

Opinions

We have audited the financial statements of Rawlins County Health Center, a component unit of Rawlins County, Kansas, and Rawlins County Health Center Foundation, its discretely presented component unit, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Rawlins County Health Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Rawlins County Health Center and of its discretely presented component unit as of June 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 (GAAS) and the provisions of 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 Rawlins County Health Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rawlins County Health Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rawlins County Health Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit as conducted for the purpose of forming opinions on the financial statements that collectively comprise Rawlins County Health Center's basic financial statements. The Comparison of Revenues and Expenses (Cash Basis) – Actual to Tax Budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Comparison of Revenues and Expenses (Cash Basis) – Actual to Tax Budget is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Forvis Mazars, LLP

Wichita, Kansas
December 16, 2024

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Balance Sheets
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 853,693	$ 8,157,766
Certificates of deposit	7,250,000	-
Patient accounts receivable, net of allowance;		
2024 - $1,231,666, 2023 - $1,105,553	1,159,980	981,900
Estimated amounts due from Medicare	875,000	313,000
Property taxes receivable	56,290	52,903
Supplies	255,217	207,432
Prepaid expenses and other	308,727	130,079
Total current assets	10,758,907	9,843,080
Noncurrent Cash and Investments		
Designated by Board of Trustees for capital acquisitions	2,715,520	2,875,293
Long-term certificates of deposit	-	249,000
Held by Foundation for capital acquisitions	1,256,898	1,131,735
Held by trustee for debt service	696,276	662,676
Time restricted trust assets	20,921	21,835
Irrevocable trust	588,591	506,517
	5,278,206	5,447,056
Capital Assets, Net	5,058,309	5,388,133
Lease Assets, Net	334,759	422,574
Total assets	$ 21,430,181	$ 21,100,843

See Notes to Financial Statements

	2024	2023
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 123,853	$ 119,665
Current portion of lease liabilities	104,097	100,715
Accounts payable	427,451	411,170
Salaries payable	64,576	41,295
Payroll taxes payable	24,527	20,122
Vacation benefits payable	191,495	173,777
Accrued interest payable	141,349	144,141
Total current liabilities	1,077,348	1,010,885
Other Liabilities		
Long-term debt	5,933,909	6,057,762
Lease liabilities	199,618	303,715
Total other liabilities	6,133,527	6,361,477
Total liabilities	7,210,875	7,372,362
Deferred Inflows of Resources - Property Taxes	491,976	492,233
Net Position		
Net investment in capital assets	(968,409)	(771,150)
Restricted - expendable for		
Debt service	696,276	662,676
Capital acquisitions	1,256,898	1,131,735
Restricted - nonexpendable for		
Time restricted trust	20,921	21,835
Irrevocable trust	588,591	506,517
Unrestricted	12,133,053	11,684,635
Total net position	13,727,330	13,236,248
Total liabilities, deferred inflows of resources and net position	$ 21,430,181	$ 21,100,843

Rawlins County Health Center Foundation
A Discretely Presented Component Unit of Rawlins County Health Center
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	$ 106,787	$ -
Restricted cash	-	401,574
Short-term investments	1,148,386	925,111
Total assets	$ 1,255,173	$ 1,326,685
Liabilities and Net Assets		
Current Liabilities		
Outstanding checks in excess of bank balance	$ -	$ 194,360
Total liabilities	-	194,360
Net Assets		
Without donor restrictions	836,249	730,751
With donor restrictions	418,924	401,574
Total net assets	1,255,173	1,132,325
Total liabilities and net assets	$ 1,255,173	$ 1,326,685

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2024 - $514,726, 2023 - $25,589	$ 8,607,469	$ 8,280,488
Prairie Plaza	128,131	159,877
340B drug program	855,829	868,782
Other	388,761	462,330
Total operating revenues	9,980,190	9,771,477
Operating Expenses		
Salaries and wages	4,210,873	3,580,617
Employee benefits	1,280,564	930,084
Purchased services and professional fees	3,125,833	3,210,881
Supplies and other	1,833,907	2,130,412
Depreciation	733,063	706,448
Amortization	87,815	87,815
Total operating expenses	11,272,055	10,646,257
Operating Loss	(1,291,865)	(874,780)
Nonoperating Revenues (Expenses)		
Property taxes	975,798	965,467
Investment income	707,397	218,047
Interest expense	(225,143)	(232,570)
Provider Relief Funds (*CARES Act*)	62,549	421,248
Noncapital grants and gifts	84,058	284,662
Total nonoperating revenues	1,604,659	1,656,854
Excess of Revenue Over Expenses Before Capital Grants and Gifts	312,794	782,074
Capital Grants and Gifts	178,288	224,962
Increase in Net Position	491,082	1,007,036
Net Position, Beginning of Year	13,236,248	12,229,212
Net Position, End of Year	$ 13,727,330	$ 13,236,248

Rawlins County Health Center Foundation
A Discretely Presented Component Unit of Rawlins County Health Center
Statements of Activities
Years Ended June 30, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 152,549	$ 17,350	$ 169,899
Investment return	90,530	-	90,530
Total revenues, gains and other support	243,079	17,350	260,429
Expenses			
Contributions to Health Center	113,570	-	113,570
Other	24,011	-	24,011
Total expenses	137,581	-	137,581
Change in Net Assets	105,498	17,350	122,848
Net Assets, Beginning of Year	730,751	401,574	1,132,325
Net Assets, End of Year	$ 836,249	$ 418,924	$ 1,255,173

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 182,275	$ 19,125	$ 201,400
Investment return	17,003	-	17,003
Total revenues, gains and other support	199,278	19,125	218,403
Expenses			
Contributions to Health Center	121,730	-	121,730
Other	9,764	-	9,764
Total expenses	131,494	-	131,494
Change in Net Assets	67,784	19,125	86,909
Net Assets, Beginning of Year	662,967	382,449	1,045,416
Net Assets, End of Year	$ 730,751	$ 401,574	$ 1,132,325

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 7,867,389	$ 7,043,161
Payments to suppliers and contractors	(6,455,623)	(6,287,624)
Payments to employees	(4,169,874)	(3,637,507)
Other receipts, net	1,372,721	1,069,741
Net cash used in operating activities	(1,385,387)	(1,812,229)
Cash Flows From Noncapital Financing Activities		
Property taxes supporting operations	972,154	971,714
Provider Relief Funds (*CARES Act*)	62,549	421,248
Noncapital grants and gifts	84,058	284,662
Net cash provided by noncapital financing activities	1,118,761	1,677,624
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(396,459)	(548,010)
Principal paid on long-term debt	(119,665)	(133,003)
Interest paid on long-term debt	(213,356)	(217,569)
Capital grants and gifts	53,125	139,786
Principal paid on leases payable	(100,715)	(97,501)
Interest paid on leases payable	(11,787)	(15,001)
Net cash used in capital and related financing activities	(788,857)	(871,298)
Cash Flows From Investing Activities		
Interest income received	626,237	200,690
Purchase of certificates of deposit	(9,750,000)	(249,000)
Proceeds from disposition of certificates of deposit	2,749,000	-
Net cash used in investing activities	(6,374,763)	(48,310)
Decrease in Cash and Cash Equivalents	(7,430,246)	(1,054,213)
Cash and Cash Equivalents, Beginning of Year	11,695,735	12,749,948
Cash and Cash Equivalents, End of Year	$ 4,265,489	$ 11,695,735
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash in current assets	$ 853,693	$ 8,157,766
Noncurrent cash	3,411,796	3,537,969
	$ 4,265,489	$ 11,695,735

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Cash Flows (Continued)
Years Ended June 30, 2024 and 2023

	2024	2023
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (1,291,865)	$ (874,780)
Depreciation	733,063	706,448
Amortization	87,815	87,815
Provision for uncollectible accounts	514,726	25,589
Changes in operating assets and liabilities		
Patient accounts receivable, net	(692,806)	181,742
Estimated amounts due from and to Medicare	(562,000)	694,000
Supplies	(47,785)	5,953
Other assets	(178,648)	(23,762)
Accounts payable and accrued expenses	52,113	(55,328)
Advance from Medicare	-	(2,138,658)
Unearned revenue	-	(421,248)
Net cash used in operating activities	$ (1,385,387)	$ (1,812,229)
Noncash Investing, Capital and Financing Activities		
Increase in fair value of the irrevocable trust and the time restricted trust	$ 81,160	$ 17,357
Capital assets acquisitions included in accounts payable	$ 6,780	$ -

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

Nature of Operations and Reporting Entity

Rawlins County Health Center (Health Center) is an acute care hospital located in Atwood, Kansas. The Health Center is a component unit of Rawlins County (County) and is governed by an elected Board of Trustees. The Health Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Rawlins County area.

Foundation

Rawlins County Health Center Foundation (Foundation) is a legally separate, tax-exempt component unit of the Health Center. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Health Center in support of its programs. The three to ten member board of the Foundation is self-perpetuating and consists of area business and community members. The Health Center appoints up to two members of the Foundation board. The remaining members are elected by a majority of the current members.

Although the Health Center does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are used for the benefit of the Health Center. Because of the relationship and level of support the Health Center receives from the Foundation, the Foundation is considered a component unit of the Health Center and is discretely presented in the Health Center's financial statements.

During the years ended June 30, 2024 and 2023, the Foundation distributed $113,570 and $121,730, respectively, to the Health Center.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the Health Center's financial reporting entity for these differences.

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted of certificates of deposit.

Certificates of Deposit

Certificates of deposit are carried at amortized cost. Certificates of deposit with original maturities of less than one year are reported as current assets. Those with original maturities greater than one year are reported as noncurrent investments.

Budgetary Principles

The Health Center is required by state statutes to adopt an annual budget for the unrestricted funds on or before August 25 for the ensuing year. The Health Center's Board of Trustees may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of expenditures of the fund which is prepared on a calendar year basis.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted unrestricted funds, representing purchase orders, contracts and other commitments, are reported as a charge to the current budget year. All unencumbered appropriations lapse at the end of the year.

Patient Accounts Receivable

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

Supplies

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

Noncurrent Cash and Investments

Noncurrent cash and investments include designated assets set aside by the Board of Trustees for capital acquisitions, over which the Board retains control and may at its discretion subsequently use for other purposes. Also included in noncurrent cash and investments are assets restricted for capital acquisitions, restricted for debt service, time restricted trust assets and an irrevocable trust.

Investments and Investment Return - Foundation

All other investments are carried at fair value. Fair value is determined using quoted market prices. Investment return includes dividend and interest income, realized and unrealized gains and losses on investments carried at fair value.

Capital Assets

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

Land improvements	20 years
Buildings	10-50 years
Fixed equipment	10-20 years
Moveable equipment	5-20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Health Center evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Compensated Absences

Health Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

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

Deferred Inflows of Resources

The Health Center reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied for use in future periods.

Net Position

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

- Net investment in capital assets consists of capital and lease assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Health Center, including amounts deposited with trustees as required by revenue bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Health Center, such as permanent endowments. The time restricted trust assets have a time restriction that expires in year 2026.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

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

Charity Care

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

Property Taxes

The Health Center received approximately 8% in 2024 and 2023 of its financial support from property taxes. One hundred percent of these funds were used to support operations in both years.

Property taxes are levied in November of one year and are received beginning in January of the following year. Property tax revenue is recognized in full in the year following the year the taxes are levied, which is the year in which use is first permitted.

Provider Relief Funds (CARES Act)

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

Income Taxes

As an essential government function of the County, the Health Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Note 2. Deposits and Investments

Deposits

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

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

At June 30, 2024 and 2023, respectively, $11,337,555 and $11,679,593 of the Health Center's bank balances of $11,603,855 and $11,944,534 were exposed to custodial credit risk as follows:

	2024	2023
Uninsured and collateral held by pledging financial institution	$ 11,337,555	$ 11,679,593

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets as follows:

	2024	2023
Carrying value		
Deposits	$ 4,265,489	$ 11,695,735
Certificates of deposit	7,250,000	249,000
	$ 11,515,489	$ 11,944,735
Included in the following balance sheet captions		
Cash	$ 853,693	$ 8,157,766
Certificates of deposit	7,250,000	-
Noncurrent cash and investments		
Designated by Board of Trustees for capital acquisitions	2,715,520	2,875,293
Long-term certificates of deposit	-	249,000
Held by trustee for debt service	696,276	662,676
	$ 11,515,489	$ 11,944,735

Foundation

At June 30, 2024 and 2023, the Foundation's cash accounts exceeded federally insured limits by approximately $0 and $152,000, respectively.

	2024	2023
Foundation cash	$ 106,787	$ 401,574

Note 3. Patient Accounts Receivable

The Health Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party agreements. Patient accounts receivable at June 30 consisted of:

	2024	2023
Medicare	$ 594,352	$ 605,516
Medicaid	59,777	27,721
Blue Cross	66,537	124,787
Other third-party payers	503,515	368,161
Self-pay	1,167,465	961,268
	2,391,646	2,087,453
Less provision for uncollectible accounts	(1,231,666)	(1,105,553)
Patient accounts receivable, net	$ 1,159,980	$ 981,900

Note 4. Investments and Investment Return - Foundation

Investments at June 30, 2024 and 2023, consisted of the following:

	2024	2023
Money market funds	$ 59,836	$ 123,498
Exchange traded funds - fixed income	938,550	801,613
Certificates of deposit	150,000	-
	$ 1,148,386	$ 925,111

Total investment return is comprised of the following:

	2024	2023
Interest and dividend income	$ 32,199	$ 13,826
Net realized and unrealized gains on investments reported at fair value	58,331	3,177
	$ 90,530	$ 17,003

Note 5. Disclosures About Fair Value of Assets – Foundation

Fair value is 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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

		Fair Value Measurements Using		
2024	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds	$ 59,836	$ 59,836	$ -	$ -
Exchange traded funds - Fixed Income	938,550	938,550	-	-
	998,386	$ 998,386	$ -	$ -
Certificates of deposit	150,000			
	$ 1,148,386			

		Fair Value Measurements Using		
2023	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds	$ 123,498	$ 123,498	$ -	$ -
Exchange traded funds - Fixed Income	801,613	801,613	-	-
	$ 925,111	$ 925,111	$ -	$ -

Following is a is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include all the investments held by the Foundation and consist of equity securities and treasury securities.

Note 6. Capital and Lease Assets

Capital assets activity for the years ended June 30 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 14,705	$ -	$ -	$ -	$ 14,705
Land improvements	1,010,644	-	-	-	1,010,644
Buildings	10,616,214	-	-	-	10,616,214
Fixed equipment	2,305,153	-	-	-	2,305,153
Moveable equipment	3,137,307	135,620	-	49,398	3,322,325
Vehicles	29,555	-	-	-	29,555
Construction in progress	47,866	267,619	-	(49,398)	266,087
	17,161,444	403,239	-	-	17,564,683
Less accumulated depreciation					
Land improvements	848,643	45,616	-	-	894,259
Buildings	6,738,779	379,010	-	-	7,117,789
Fixed equipment	1,959,022	151,476	-	-	2,110,498
Moveable equipment	2,226,867	156,961	-	-	2,383,828
	11,773,311	733,063	-	-	12,506,374
Capital Assets, Net	$ 5,388,133	$ (329,824)	$ -	$ -	$ 5,058,309

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 14,705	$ -	$ -	$ -	$ 14,705
Land improvements	1,010,644	-	-	-	1,010,644
Buildings	10,425,214	191,000	-	-	10,616,214
Fixed equipment	2,305,153	-	-	-	2,305,153
Moveable equipment	2,828,163	309,144	-	-	3,137,307
Vehicles	29,555	-	-	-	29,555
Construction in progress	-	47,866	-	-	47,866
	16,613,434	548,010	-	-	17,161,444
Less accumulated depreciation					
Land improvements	803,027	45,616	-	-	848,643
Buildings	6,359,521	379,258	-	-	6,738,779
Fixed equipment	1,802,601	156,421	-	-	1,959,022
Moveable equipment	2,101,714	125,153	-	-	2,226,867
	11,066,863	706,448	-	-	11,773,311
Capital Assets, Net	$ 5,546,571	$ (158,438)	$ -	$ -	$ 5,388,133

Lease assets activity for the years ended June 30 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 534,638	$ -	$ -	$ -	$ 534,638
	534,638	-	-	-	534,638
Less accumulated amortization					
Moveable equipment	112,064	87,815	-	-	199,879
	112,064	87,815	-	-	199,879
Lease Assets, Net	$ 422,574	$ (87,815)	$ -	$ -	$ 334,759

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 534,638	$ -	$ -	$ -	$ 534,638
	534,638	-	-	-	534,638
Less accumulated amortization					
Moveable equipment	24,249	87,815	-	-	112,064
	24,249	87,815	-	-	112,064
Lease Assets, Net	$ 510,389	$ (87,815)	$ -	$ -	$ 422,574

Note 7. Irrevocable Trust

The Health Center is an income beneficiary of an irrevocable trust controlled by an unrelated third-party trustee. The beneficial interest in the assets of this trust is included in the Health Center's financial statements as restricted, non-expendable net position. Income is distributed in accordance with the trust documents and is included in noncapital grants and gifts. The estimated value of the expected future cash flows is $588,591 and $506,517 at June 30, 2024 and 2023, respectively, which represents the Health Center's share of the fair value of the trust assets. Trust income distributed to the Health Center was $12,554 and $1,554 for the years ended June 30, 2024 and 2023, respectively.

The trust is invested primarily in mutual funds and real estate in Rawlins County, Kansas.

Note 8. Medical Malpractice Coverage and Claims

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

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

Note 9. Long-term Obligations

The following is a summary of long-term debt transactions for the Health Center for the years ended June 30:

	2024					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Series 2012 Revenue Bonds	$ 6,177,427	$ -	$ 119,665	$ 6,057,762	$ 123,853	$ 5,933,909
Lease liabilities	404,430	-	100,715	303,715	104,097	199,618
	$ 6,581,857	$ -	$ 220,380	$ 6,361,477	$ 227,950	$ 6,133,527

	2023					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Series 2012 Revenue Bonds	$ 6,293,045	$ -	$ 115,618	$ 6,177,427	$ 119,665	$ 6,057,762
Note payable - Foundation	15,672	-	15,672	-	-	-
Financed capital purchases	1,713	-	1,713	-	-	-
Lease liabilities	501,931	-	97,501	404,430	100,715	303,715
	$ 6,812,361	$ -	$ 230,504	$ 6,581,857	$ 220,380	$ 6,361,477

Series 2012 Revenue Bonds

In November 2010, the County issued 1.75% Kansas Hospital Revenue Bond Anticipation Refunding and Improvement Bonds, Series 2010B, totaling $7,000,000 maturing on November 1, 2012. The Series 2010B Revenue Bonds were used to provide funds for renovation projects to the Health Center and for redemption of $1,100,000 of the Series 2010 Revenue Bonds. The County issued Kansas Hospital Refunding Bonds, Series 2012, dated October 26, 2012, to provide permanent funding for the project. The Series 2012 Bonds total $7,000,000 and have maturity dates through October 26, 2052. The United States Department of Agriculture – Rural Development purchased the Series 2012 Bonds in their entirety on October 31, 2012.

The indenture agreements require the Health Center to comply with certain restrictive covenants including minimum insurance coverage and maintaining a historical debt-service coverage ratio of at least 1.20. The Health Center was in compliance with this covenant as of June 30, 2024.

Under the terms of the bond indentures, the Health Center is required to maintain certain revenue bond funds. These funds, which consist entirely of cash, are included in noncurrent cash and investments – held by trustee for debt service in the accompanying balance sheets and consist of the following at June 30:

	2024	2023
Debt service	$ 253,425	$ 253,425
Bond reserve funds	442,851	409,251
	$ 696,276	$ 662,676

The debt service requirements of revenue bonds payable as of June 30, 2024, are as follows:

Year Ending June 30,	Total	Revenue Bonds Payable	
		Principal	Interest
2025	$ 335,875	$ 123,853	$ 212,022
2026	335,875	128,188	207,687
2027	335,875	132,675	203,200
2028	335,875	137,318	198,557
2029	335,874	142,124	193,750
2030-2034	1,679,374	788,812	890,562
2035-2039	1,679,375	936,862	742,513
2040-2044	1,679,374	1,112,697	566,677
2045-2049	1,679,376	1,321,537	357,839
2050-2053	1,343,501	1,233,696	109,805
	$ 9,740,374	$ 6,057,762	$ 3,682,612

Lease Liabilities

The Health Center leases equipment, the terms of which expire in various years through 2027. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of payments under the leases as of June 30, 2024:

Year Ending June 30,	Total	Lease Liabilities	
		Principal	Interest
2025	$ 112,502	$ 104,097	$ 8,405
2026	112,501	107,560	4,941
2027	93,448	92,058	1,390
	$ 318,451	$ 303,715	$ 14,736

Note 10. Employee Health Claims

Substantially all of the Health Center's employees and their dependents are eligible to participate in the Health Center's employee health insurance plan. The Health Center is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $50,000 per covered employee. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claim experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term.

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

	2024	2023
Balance, beginning of year	$ 60,112	$ 59,822
Current year claims incurred and changes in estimates for claims incurred in prior years	651,121	233,963
Claims and expenses paid	(610,879)	(233,673)
Balance, end of year	$ 100,354	$ 60,112

Note 11. Net Patient Service Revenue

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

Medicare. The Health Center is recognized as a critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Health Center is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare administrative contractor.

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

Approximately 86% and 82% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2024 and 2023, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 12. Management Agreement

The Health Center has contracted with CommonSpirit Health (CommonSpirit) for various services, including oversight, providing a hospital administrator and certain other financial services. The initial contract term was for a period of one year through September 30, 2018, with a first renewal term of three years through September 30, 2021. Following the first renewal term, the contract shall thereafter continue for successive one-year terms unless cancelled by either party at least 90 days before the end of the term. Fees incurred for the various services provided by CommonSpirit to the Health Center for the years ended June 30, 2024 and 2023, were $113,000 and $103,583, respectively. Amounts due to CommonSpirit at June 30, 2024 and 2023, were $0 and $29,251, respectively.

Note 13. 340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues of $855,829 and $868,782 for the years ending June 30, 2024 and 2023, respectively. The Health Center recorded expenses of $309,956 and $385,528 for the years ending June 30, 2024 and 2023, respectively, which is included in supplies and other in the accompanying statements of revenue and expenses and changes in net position. This program is overseen by the Health Resources and Service Administration (HRSA) office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to 340B Program could occur in the near term.

Note 14. Pension Plans

Defined Contribution Plan

The Health Center maintains a contributory pension plan which requires mandatory contributions from all participating employees. Benefits are funded by a money purchase annuity with an insurance company. Employee and employer contributions are computed at 8% of annual eligible compensation respectively. All contributions are 100% vested upon participation in the plan. Contributions actually made by plan members and the Health Center aggregated $300,801 and $306,729 during 2024 and $282,220 and $295,843 during 2023, respectively.

Deferred Compensation Plan

The Health Center provides a deferred compensation plan (457 Plan) to substantially all employees of the Health Center. The employees may contribute up to 100% of their salary to the 457 Plan. The employees' salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are 100% vested in the contributions they choose to defer. Contributions from employees to the 457 Plan were $42,081 and $43,336 for the years ended June 30, 2024 and 2023, respectively. The Health Center does not contribute to the 457 Plan.

Note 15. COVID-19 Pandemic & *CARES Act* Funding

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The Health Center's pandemic response plan has multiple facets and continues to evolve as the lasting impact of the pandemic unfolds. The Health Center has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Health Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Health Center's control and ability to forecast.

Because of these and other uncertainties, the Health Center cannot estimate the length or severity of the effect of the pandemic on the Health Center's business. Decreases in cash flows and result of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

The Health Center received $62,549 and $0 from the *CARES Act* Provider Relief Fund for the years ended June 30, 2024 and 2023, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Health Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Health Center is accounting for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Health Center's operating revenues and expenses through June 30, 2024 and 2023, the Health Center recognized $62,549 and $ 421,248, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of revenues, expenses and changes in net position.

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

Other COVID-19 Funding

During the years ended June 30, 2024 and 2023, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Health Center received and recognized $0 and $189,334 related to the SHIP grant for the years ended June 30, 2024 and 2023, respectively. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Supplementary Information

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Comparison of Revenues and Expenses (Cash Basis) Actual to Tax Budget
Calendar Year Ended December 31, 2023

	Actual	Tax Budget	Actual Over (Under) Budget
Net patient service revenue	$ 8,312,032	$ 8,120,000	$ 192,032
Other revenue	860,799	610,000	250,799
Total operating revenue	9,172,831	8,730,000	442,831
Operating expenses	10,644,244	11,119,450	(475,206)
Operating loss	(1,471,413)	(2,389,450)	918,037
Property tax revenue	1,008,582	946,346	62,236
Other nonoperating revenues	727,290	353,500	373,790
Total nonoperating revenues	1,735,872	1,299,846	436,026
Excess (deficiency) of revenues over expenses	$ 264,459	$ (1,089,604)	$ 1,354,063