Independent Auditor's Report and Financial Statements

Labette County Medical Center
d/b/a Labette Health

December 31, 2023 and 2022

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Labette County Medical Center
d/b/a Labette Health
Management's Discussion and Analysis
Years ended December 31, 2023 and 2022

Our discussion and analysis of the financial performance of Labette County Medical Center d/b/a Labette Health and our blended component units, Labette Health Endowment Association (LHEA), provides a narrative overview of Labette Health's financial activities for the years ended December 31, 2023 and 2022. Please read it in conjunction with the accompanying financial statements. Effective January 1, 2023, Southeast Kansas Regional Health, Inc. (SEKRH), is reported as a blended component unit and included in this management discussion and analysis for the year ended December 31, 2023.

Financial highlights

Labette Health's net position decreased by $1,907,979 or 3.2 percent in 2023 and increased by $2,022,243 or 3.5 percent in 2022.

Labette Health reported an operating loss of $2,582,274, $2,035,083, and $2,224,640 in 2023, 2022, and 2021, respectively.

Using these financial statements

Labette Health's financial statements 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 Labette Health, including resources held by or for the benefit of Labette Health, and resources restricted for specific purposes by contributors, grantors, and indenture agreements.

One of the most important questions asked about Labette Health's finances is, "Is Labette Health 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 Labette Health's resources 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 Labette Health's net position and changes in it. Labette Health's net position - the difference between assets plus deferred outflows of resources, and liabilities - may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in Labette Health's net position 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 Labette Health's patient base and measures of the quality of service it provides to the community, as well as local economic factors, to assess the overall health of Labette Health.

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

Labette Health'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	$ 37,962,743	$ 40,618,633	$ 44,472,782
Assets limited as to use	18,195,446	17,663,594	16,669,761
Capital assets, net	61,344,463	62,388,902	59,496,405
Other assets	10,896,580	11,058,325	11,261,134
Total assets	128,399,232	131,729,454	131,900,082
Deferred outflows of resources	201,965	232,360	264,523
Liabilities			
Current liabilities	(14,316,083)	(16,192,805)	(19,717,980)
Long-term liabilities	(56,928,850)	(56,475,232)	(55,175,091)
Total liabilities	(71,244,933)	(72,668,037)	(74,893,071)
Net position	$ 57,356,264	$ 59,293,777	$ 57,271,534

Cash and cash equivalents in the current asset category decreased by $1,242,652 and by $4,796,544 in 2023 and 2022, respectively.

Beginning in March 2020, Labette Health, along with all health care providers in the United States, was negatively impacted by the worldwide coronavirus pandemic. Patient volumes and related revenues for Labette Health's services were significantly impacted. In addition, expenses were impacted by shortages in labor and increases in certain supply and drug costs. In response, the Coronavirus Aid, Relief, and Economic Security Act (CARES) and subsequent legislation has provided funding during these uncertain times. Labette Health was approved for a Patient Protection Program (PPP) loan, received several grants to prevent, prepare for, and respond to coronavirus, and deferred the employer portion of social security tax.

Net patient accounts receivable decreased by $1,167,943 in 2023 and decreased by $693,451 in 2022, respectively. The number of days of net revenue represented by net accounts receivable was 43 days, 51 days, and 56 days as of December 31, 2023, 2022, and 2021, respectively.

Net capital assets decreased by $1,044,439 in 2023 and increased by $2,892,497 in 2022, respectively. Cash outlays for capital asset acquisitions totaled $5,201,306 during 2023, of which approximately $2,875,000 (55.3 percent) was financed with proceeds from the Series 2020 bonds and the rest was paid for with operating cash flow and cash internally designated for capital acquisition. Cash outlays for capital asset acquisitions totaled $6,719,896 during 2022, of which approximately $4,750,000 (70.7 percent) was financed with proceeds from from the Series 2020 bonds and the rest was paid for with operating cash flow and cash internally designated for capital acquisition.

In 2020, Labette Health issued bonds in the principal amount not to exceed $10,000,000 and LHEA entered into loan agreements for $13,580,000 for renovation and expansion of Labette Health's facilities. In connection with the loan agreement, Labette Health entered into a leverage loan agreement in the amount of $9,959,600. At December 31, 2022, Labette Health had outstanding commitments of approximately $5,514,000 for renovation, a computer system conversion project, and equipment.

Labette Health's net position decreased by $1,907,979 or 3.2 percent in 2023 and decreased by $2,022,243 or 3.5 percent in 2022. The percentage of total assets financed with net position, or equity, was 44.6 percent, 44.9 percent, and 43.3 percent as of December 31, 2023, 2022, and 2021, respectively.

Operating results and changes in net position

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

	2023	2022	2021
Operating revenues	$ 94,936,304	$ 88,745,879	$ 85,497,462
Operating expenses	97,518,578	90,780,962	87,722,102
Operating loss	(2,582,274)	(2,035,083)	(2,224,640)
Ambulance subsidy and sales tax revenue	891,673	870,777	798,083
Interest expense	(1,686,958)	(1,637,636)	(1,834,288)
COVID-19 grants, total		4,220,482	10,980,201
Other nonoperating revenues	1,375,747	600,685	3,257,323
Other capital revenues	93,833	3,018	440,548
Change in net position	$ (1,907,979)	$ 2,022,243	$ 11,417,227

The first, and most significant, component of the overall change in Labette Health's net position is its operating income (loss) - generally, the difference between net patient service revenue and the expenses incurred to perform those services. Labette Health's operating loss increased by $547,191 in 2023 and decreased by $189,557 in 2022.

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

	2023	2022	2021
Inpatient services	$ 28,911,769	$ 30,277,570	$ 34,854,735
Outpatient services	188,479,935	181,606,177	174,483,791
Physician services	34,864,865	32,533,373	30,366,376
Gross patient service revenue	252,256,569	244,417,120	239,704,902
Contractual adjustments	(153,992,207)	(148,964,746)	(147,505,225)
Provision for bad debts	(12,237,922)	(13,686,840)	(12,933,537)
Charity care	(1,211,799)	(1,185,531)	(1,296,002)
Net patient service revenue	$ 84,814,641	$ 80,580,003	$ 77,970,138

Labette Health strategically adjusted charges as needed to reflect higher costs during 2023 and 2022. Total inpatient revenues decreased by 4.5 percent during 2023. The decrease was a result of a 5.62 percent decrease in acute and ICU patient days, a 22.4 percent increase in rehabilitation unit patient days in 2023, and an increase in nursery days of 21.2 percent. Total inpatient revenues decreased by 13.1 percent during 2022. The decrease was a result of a 14.6 percent decrease in acute and ICU patient days, a 12.9 percent decrease in rehabilitation unit patient days, and an 18.9 percent increase in nursery patients.

Outpatient revenues increased by 3.8 and 4.1 percent during 2023 and 2022, respectively, due to changes in outpatient registrations and charge mix. Physician revenues increased by 7.2 percent and 7.1 percent during 2023 and 2022, respectively, due to an increase in the number of visits.

Labette Health 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. These adjustments are affected by the mix of revenues as well as by increases in Labette Health's charge rates relative to changes in rates paid by third-party payors. Total contractual adjustments excluding charity care represent 61.0 percent, 60.9 percent, and 61.5 percent of gross patient service revenue during 2023, 2022, and 2021, respectively.

The provision for bad debts and charity care write-offs combined represent 5.3 percent, 6.1 percent, and 5.9 percent of gross patient service revenue during 2023, 2022, and 2021, respectively.

Employee salaries and wages increased by $1,897,363 or 4.5 percent during 2023 and increased by $1,450,370 or 3.5 percent during 2022. The number of full-time equivalent employees increased by seven (1.2 percent) during 2023 and decreased by 7 (1.2 percent) during 2022.

The cost of employee benefits equaled 18.4 percent, 17.7 percent, and 17.3 percent of salaries and wages during 2023, 2022, and 2021, respectively. Variations in employee benefit costs generally correlate with claims experience under Labette Health's self-insured employee health insurance plan.

Supplies and other expenses increased 10.3 percent during 2023 and increased by 1.2 percent during 2022. These changes are consistent with the patient volume fluctuations experienced by Labette Health combined with the general rate of health care inflation.

Nonoperating revenues include sales tax revenues received from the County. This subsidy offsets losses incurred by Labette Health in operating the local ambulance service. Nonoperating revenues also include $3,404,077 of COVID-19 grants recognized in 2022. Capital grants include $816,405 of COVID-19 grants recognized for capital purchases in 2022.

This discussion and analysis is designed to provide a general overview of the Labette Health's finances and to discuss the significant changes in our financial statements. If you have any questions about our financial report, please contact the Administrative Office at Labette Health.

Wendling Noe Nelson & Johnson LLC
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Independent Auditor's Report

Board of Trustees
Labette County Medical Center
d/b/a Labette Health

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented components units of Labette County Medical Center d/b/a Labette Health, a component unit of Labette 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 Labette Health'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 position of the business-type activities and the aggregate discretely presented component units of Labette County Medical Center d/b/a Labette Health as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows 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 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 Labette Health 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 Labette Health'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 will always detect a material misstatement when it exists. The risk of not detecting a material

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misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Labette Health'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 Labette Health'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 the management's discussion and analysis on pages 1 through 4 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
July 26, 2024

Financial Statements

Labette County Medical Center
d/b/a Labette Health
Statements of Net Position
December 31, 2023 and 2022

Assets and Deferred Outflows of Resources

	2023		2022	
	Labette Health	Component units	Labette Health	Component units
Current assets				
Cash and cash equivalents	$ 22,674,117	$ 6,070	$ 23,916,769	$ 2,671
Investments		395,474		271,552
Assets limited as to use	522,255		442,731	
Patient accounts receivable, net	10,099,142		11,267,085	
Lease receivables		163,586		158,758
Other receivables	1,163,921	14,004	1,515,754	13,409
Estimated third-party payor settlements	1,018,916		988,072	
Inventories	1,941,474		1,985,559	
Prepaid expenses	542,918		502,663	
Total current assets	37,962,743	579,134	40,618,633	446,390
Assets limited as to use				
Internally designated for capital assets	16,342,557	298,700	16,036,420	298,700
Under indenture agreement - held by trustee	740,306		482,128	
By County for capital assets	1,364,538		1,317,477	
Under indenture or loan agreement				
For debt service		158,593		132,272
For specific operating activities	270,300		270,300	
By contributors for specific operating activities		5,481,237		4,179,667
	18,717,701	5,938,530	18,106,325	4,610,639
Less amounts required to meet current obligations	522,255		442,731	
	18,195,446	5,938,530	17,663,594	4,610,639
Capital assets				
Capital assets not being depreciated	2,784,607	352,831	5,212,153	673,384
Depreciable capital assets, net	42,941,197	3,629,573	41,002,300	4,012,942
Lease assets, net	15,290,616		16,039,290	
Subscription IT assets, net	328,043		135,159	
Capital assets, net	61,344,463	3,982,404	62,388,902	4,686,326
Other assets				
Leverage loan receivable	9,959,600		9,959,600	
Advances receivable	876,980		1,068,725	
Lease receivables, less current portion		14,458,109		14,621,695
Other	60,000	137,233	30,000	117,111
	10,896,580	14,595,342	11,058,325	14,738,806
Total assets	128,399,232	25,095,410	131,729,454	24,482,161
Deferred outflows of resources				
Deferred outflows on advance refunding	201,965		232,360	
Total deferred outflows of resources	201,965	-	232,360	-
Total assets and deferred outflows of resources	$ 128,601,197	$ 25,095,410	$ 131,961,814	$ 24,482,161

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	2023		2022	
	Labette Health	Component units	Labette Health	Component units
Current liabilities				
Current maturities of long-term debt	$ 3,164,150	$ 127,648	$ 2,882,710	$ 174,939
Current maturities of lease liabilities	682,432		688,727	
Current maturities of subscription IT liabilities	138,195		66,727	
Accounts payable	4,996,115		5,428,659	
Construction costs payable	115,342		2,197,821	
Due to Labette Health		46,378		242,765
Accrued salaries, wages, and benefits	2,882,041		2,673,648	
Accrued compensated absences	1,565,587		1,544,444	
Accrued interest payable	183,145		182,722	
Accrued health insurance claims	429,623		383,886	
Estimated third-party payor settlements	125,934		20,934	
Other current liabilities	33,519		122,527	
Total current liabilities	14,316,083	174,026	16,192,805	417,704
Long-term liabilities				
Long-term debt less current maturities	41,638,000	5,148,422	40,669,982	5,426,071
Lease liabilities less current maturities	15,156,554		15,735,753	
Subscription IT liabilities less current maturities	134,296		69,497	
Total long-term liabilities	56,928,850	5,148,422	56,475,232	5,426,071
Total liabilities	71,244,933	5,322,448	72,668,037	5,843,775
Deferred inflows of resources				
Deferred inflows of resources arising from leases		14,621,695		14,780,453
Net position				
Net investment in capital assets	4,300,945	(1,339,969)	5,477,354	(1,157,449)
Restricted				
For debt service	270,300	158,593	270,300	132,272
Expendable for capital acquisitions	1,364,538		1,317,477	
Expendable for specific operating activities		5,481,237		4,179,667
Unrestricted	51,420,481	851,406	52,228,646	703,443
Total net position	57,356,264	5,151,267	59,293,777	3,857,933
Total liabilities, deferred inflows of resources, and net position	$ 128,601,197	$ 25,095,410	$ 131,961,814	$ 24,482,161

Labette County Medical Center
d/b/a Labette Health
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2023 and 2022

	2023		2022	
	Labette Health	Component units	Labette Health	Component units
Operating revenues				
Net patient service revenue	$ 84,814,641	$ -	$ 80,580,003	$ -
Other	10,121,663	1,618,570	8,165,876	753,078
Total operating revenues	94,936,304	1,618,570	88,745,879	753,078
Operating expenses				
Salaries and wages	44,224,124		42,326,761	
Employee benefits	8,127,797		7,492,458	
Supplies and other	40,267,829	404,364	36,496,422	384,746
Depreciation and amortization	4,898,828	383,369	4,465,321	398,955
Total operating expenses	97,518,578	787,733	90,780,962	783,701
Operating income (loss)	(2,582,274)	830,837	(2,035,083)	(30,623)
Nonoperating revenues (expenses)				
Ambulance subsidy	575,025		698,045	
Investment income	810,043	542,926	280,451	367,282
Interest expense	(1,686,958)	(130,085)	(1,637,636)	(133,077)
Noncapital grant and contributions	561,632		403,749	
COVID-19 grants			3,404,077	
Other	4,072	20,122	(83,515)	(24,188)
Total nonoperating revenues (expenses)	263,814	432,963	3,065,171	210,017
Excess of revenues over (under) expenses, before grants, contributions, and sales tax revenue restricted for capital purposes	(2,318,460)	1,263,800	1,030,088	179,394
Capital grants and contributions	93,833		3,018	
COVID-19 grants used for capital purchases			816,405	
Sales tax revenue restricted for capital purchases	316,648		172,732	
Change in net position	(1,907,979)	1,263,800	2,022,243	179,394
Net position at beginning of year				
As previously reported	59,314,307	3,857,933	57,266,537	3,678,539
Change in reporting entity	(29,534)	29,534		
Prior period adjustments	(20,530)		4,997	
As restated	59,264,243	3,887,467	57,271,534	3,678,539
Net position, end of year	$ 57,356,264	$ 5,151,267	$ 59,293,777	$ 3,857,933

The accompanying notes are an integral part of these statements.

Labette County Medical Center
d/b/a Labette Health
Statements of Cash Flows
Years ended December 31, 2023 and 2022

	2023		2022	
	Labette Health	Component units	Labette Health	Component units
Cash flows from operating activities				
Receipts from and on behalf of patients	$ 86,056,740	$ -	$ 80,366,316	$ -
Payments to or on behalf of employees	(52,106,648)		(50,060,052)	
Payments for supplies and services	(40,537,648)	(450,665)	(35,881,581)	(434,881)
Other receipts and payments	10,329,178	1,671,880	7,594,338	1,292,185
Net cash provided by operating activities	3,741,622	1,221,215	2,019,021	857,304
Cash flows from noncapital financing activities				
Ambulance subsidy	576,858		705,734	
Proceeds from notes payable	1,131,214			
Principal payments on long-term debt	(1,071,238)		(1,047,950)	
Interest paid	(42,070)		(42,070)	
COVID-19 grants received			129,854	
Noncapital grants and contributions	493,801		430,360	
Net cash provided by noncapital financing activities	1,088,565	-	175,928	-
Cash flows from capital and related financing activities				
Acquisition of capital assets	(5,201,306)		(6,719,896)	(200,000)
Proceeds from bond issuance	2,875,144		4,754,196	
Proceeds from notes payable				200,000
Principal payments on long-term debt	(1,885,662)	(124,939)	(2,075,615)	(121,947)
Principal payments on lease liabilities	(688,727)		(667,818)	
Principal payments on subscription IT liabilities	(141,873)		(66,515)	
Interest paid	(1,614,070)	(130,085)	(1,488,828)	(133,077)
Capital grants and contributions	94,039		2,812	
COVID-19 capital grants received			31,750	
Proceeds from sale of capital assets	3,285			
Sales tax revenue restricted for capital purchases	316,648		172,732	
Net cash used by capital and related financing activities	(6,242,522)	(255,024)	(6,057,182)	(255,024)
Cash flows from investing activities				
Changes in				
Assets held by trustee	(258,178)		1,747,681	
Investments		(16,665)		170,045
Investment income received	732,208	512,988	265,484	458,526
Net cash provided by investing activities	474,030	496,323	2,013,165	628,571
Net change in cash and cash equivalents	(938,305)	1,462,514	(1,849,068)	1,230,851
Cash and cash equivalents at beginning of year	41,518,967	3,880,428	43,368,035	2,649,577
Cash and cash equivalents at end of year	$ 40,580,662	$ 5,342,942	$ 41,518,967	$ 3,880,428

Labette County Medical Center
d/b/a Labette Health
Statements of Cash Flows - Continued
Years ended December 31, 2023 and 2022

	2023		2022	
	Labette Health	Component units	Labette Health	Component units
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	$ 22,674,117	$ 6,070	$ 23,916,769	$ 2,671
Cash included in assets limited as to use				
Internally designated for capital assets	16,271,707	298,700	16,014,421	298,700
By County for capital assets	1,364,538		1,317,477	
Under indenture or loan agreement	270,300	158,593	270,300	132,272
For specific operating activities		4,879,579		3,446,785
Total cash and cash equivalents	$ 40,580,662	$ 5,342,942	$ 41,518,967	$ 3,880,428
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ (2,582,274)	$ 830,837	$ (2,035,083)	$ (30,623)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	4,898,828	383,369	4,465,321	398,955
Provision for bad debts	12,237,922		13,686,840	
Changes in				
Patient accounts receivable	(11,069,979)		(12,993,389)	
Other receivables	228,692		(638,090)	
Pledges receivable		53,310		539,107
Advances receivable	191,745		232,809	
Estimated third-party payor settlements	74,156		(907,138)	
Inventories	44,085		161,352	
Prepaid expenses	(40,255)		(31,088)	
Accounts payable and accrued expenses	(241,298)	(46,301)	77,487	(50,135)
Net cash provided by operating activities	$ 3,741,622	$ 1,221,215	$ 2,019,021	$ 857,304

The accompanying notes are an integral part of these statements.

Labette County Medical Center
d/b/a Labette Health
Notes to Financial Statements
December 31, 2023 and 2022

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

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

1. Reporting entity

Labette Health is owned by Labette County, Kansas (the County), and governed by a nine-member Board of Trustees appointed by the Board of County Commissioners of the County. Labette Health is a not-for-profit general hospital located in Parsons, Kansas. Labette Health can sue and be sued and can buy, sell, or lease real property. Bond issuances must be approved by the County. Labette Health is a component unit of the County.

Labette Health Endowment Association (LHEA) is a 501(c)(3) nonprofit corporation. Labette Health's management performs the day-to-day management of LHEA's operations and the debt of LHEA is expected to be repaid entirely with the resources of Labette Health through lease payments made to LHEA for the use of certain hospital space. LHEA is a separate legal entity but is financially integrated with Labette Health and is reported as a blended component unit of Labette Health and does not issue separate financial statements. The sole corporate member of LHEA is Labette Health. All significant intercompany accounts have been eliminated in the accompanying financial statements.

Southeast Kansas Regional Health, Inc. (SEKRH), is a not-for-profit corporation formed to establish, maintain, operate, and support both within Montgomery County, Neosho County, and Labette County, Kansas, and in the surrounding region, facilities and services providing health care, or health and wellness support, for sick, injured, disabled, or aged persons. SEKRH is a separate legal entity. SEKRH is administered by a ten-member Board of Directors of which five members are appointed by Labette Health's Board of Trustees. Effective January 1, 2023, SEKRH is reported as a blended component unit of Labette Health as SEKRH's debt is expected to be repaid entirely by Labette Health. Prior to January 1, 2023, SEKRH was considered a component unit of Labette Health and is discretely presented in Labette Health's financial statements because Labette Health appoints fifty percent of the governing board. SEKRH does not issue separate financial statements. All significant intercompany accounts have been eliminated in the accompanying financial statements. SEKRH's change from a discretely presented component unit to a blended component unit is considered a change in reporting entity.

For financial reporting purposes, Labette Health 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 Labette Health are such that the exclusion would cause Labette Health's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Labette Health to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on Labette Health.

The component units discussed in Note A2 are included in Labette Health's reporting entity because of the nature and significance of their relationships with Labette Health.

2. Discretely presented component units

The financial statements include the financial data of the aggregate discretely presented component units described below. The component units are reported separately to emphasize that they are legally separate from Labette Health.

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

Labette Health Foundation, Inc. (the Foundation), is a not-for-profit corporation formed to receive, invest, and disburse funds received for the benefit, support, and maintenance of Labette Health. The Foundation is a legally separate component unit of Labette Health. The Foundation is administered by a Board of Directors, of which four members are appointed by Labette Health's Board of Trustees. Although Labette Health does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of Labette Health by the donors or are provided to Labette Health for its programs. Because the majority of resources held by the Foundation can only be used by, or for the benefit of, Labette Health and for the benefit of patients served by Labette Health, the Foundation is considered a component unit of Labette Health and is discretely presented in Labette Health's financial statements.

Labette Health Regional Partnerships, Inc. (LHRP), is a not-for-profit corporation formed to establish, maintain, operate, and support both within Labette County, Kansas, and in the surrounding region, facilities and services providing health care, or health and wellness support, for sick, injured, disabled, or aged persons. LHRP is administered by a five-member Board of Directors of which three members are appointed by Labette Health's Board of Trustees. Because of Labette Health's ability to appoint the majority of LHRP's Board of Directors, LHRP is considered a component unit of Labette Health and is discretely presented in Labette Health's financial statements.

The Foundation, LHRP, and SEKRH are not-for-profit organizations that report under the Financial Accounting Standards Board (FASB) standards, including Topic 958. As such, certain revenue recognition criteria and presentation are different from GASB revenue recognition criteria and presentation. Modifications have been made to the Foundation, LHRP, and SEKRH's financial information in the reporting entity for these differences.

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. Basis of accounting

Labette Health and its component units use enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

5. Cash and cash equivalents

Labette Health and its component units consider all cash and invested cash to be cash equivalents, excluding any assets limited as to use under bond indenture agreements held by a trustee and items classified as investments by the Foundation.

6. Allowance for uncollectible accounts

Labette Health provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. Labette Health estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each type of payor. Net patient accounts receivable at December 31, 2023 and 2022, include allowance for uncollectible accounts of $4,963,259 and $5,729,068, respectively.

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

7. Inventories

Inventories are stated at the lower of cost or market with cost determined on the average cost method.

8. Investments and investment income

Investments in debt and equity securities 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 Board of Trustees 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 held by a trustee under bond indenture agreements; assets restricted by the County for capital asset acquisitions; assets restricted as to use by loan agreements; and assets restricted by contributors for capital acquisition or a particular purpose. Amounts that are required for obligations classified as current liabilities are reported in current assets.

10. Lease receivables

Lease receivables are measured at the present value of lease payments expected to be received during the lease term. The present value of future payments to be received are discounted based on the interest rate determined at the time of the lease. Renewal options are factored into the determination of lease payments when appropriate.

11. Capital assets

Capital assets excluding lease assets and subscription IT assets are stated at cost. Depreciation of capital assets excluding lease assets and subscription IT assets are provided on the straight-line method over the estimated useful lives of the assets. Estimated lives are based on a third-party guide prepared based on a review of Labette Health's capital assets.

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 used to amortize the lease liability.

Subscription IT assets are recognized at the subscription commencement date and represent Labette Health's right to use an underlying IT asset for the subscription term. Subscription IT assets are measured at the initial value of the subscription IT liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method or the same method amortizing the subscription liability.

Note A - Description of Reporting Entity and Summary of Significant 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.

12. 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 Labette Health's incremental borrowing rate.

13. Subscription IT liabilities

Subscription IT liabilities represent obligations to make payments arising from SBITAs. Subscription IT liabilities are recognized at the SBITA commencement date based on the present value of future SBITA payments expected to be made during the SBITA term. The present value of SBITA payments are discounted based on the rate implicit in the SBITA or Labette Health's incremental borrowing rate.

14. Costs of borrowing

Original issue premiums and discounts and deferred outflows on advance refunding associated with issuance of long-term debt are amortized using the interest method over the term of the related debt. Other costs incurred to issue long-term debt are expensed in the period incurred.

15. Grants and contributions

From time to time, Labette Health and its component units 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.

16. Restricted resources

When Labette Health and its component units have both restricted and unrestricted resources available to finance a particular program, their policy is to use restricted resources before unrestricted resources.

17. Accrued health insurance claims

Labette Health is self-insured for health insurance claims of its employees. Management estimates the net liability for reported and unreported claims incurred as of the end of each reporting period. These estimates are based on known claims and historical claims experience.

Management believes that estimates for accrued health insurance claims are reasonable. However, it is possible that actual incurred claims expense may vary significantly from the estimate included in the accompanying financial statements.

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

18. Deferred outflows and inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Deferred inflows of resources pertaining to leases are measured at the value of lease receivables plus any prepayments received at or before the commencement of the lease term that relate to future periods. Revenue is recognized from deferred inflows in a systematic and rational manner over the term of the lease.

19. Net position

Net position of Labette Health and its component units is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and amortization reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to Labette Health and its component units, including amounts deposited with trustees as required by indenture agreements. *Unrestricted net position* is remaining net position that does not meet the definitions of the other two components of net position.

20. Operating revenues and expenses

Labette Health's statement of revenues, expenses, and changes in net position and those of its component units, distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is Labette Health's principal activity. Nonexchange revenues, including noncapital grants and contributions and the noncapital ambulance subsidy, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

21. Net patient service revenue

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

22. Charity care

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

23. Income taxes

Labette Health is exempt from federal income taxes pursuant to Sections 115 and 501(a) of the Internal Revenue Code.

LHEA is exempt from federal income taxes pursuant to 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. LHEA is considered a qualified active low-income community business.

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

The Foundation 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.

LHRP 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.

SEKRH 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.

Management is not aware of any uncertainties in income tax positions. Tax years ended on or before December 31, 2019, are not subject to examination by taxing authorities.

24. Adoption of accounting pronouncements

Effective, January 1, 2023, Labette Health 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 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 effect of implementing this standard on beginning net position was a decrease of $1,065 applicable to 2022 and has been included in the restated 2022 net position. See Note W for additional disclosure for amounts restated.

Effective January 1, 2023, Labette Health early adopted GASB 100, *Accounting Changes and Error Corrections*. GASB 100 provides enhanced accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information. It also addresses the impact of accounting changes and error corrections on required and other supplementary information. GASB 100 requires disclosures for accounting changes and error corrections to include descriptive information about accounting changes and error corrections and information about the quantitative effects on beginning balances from accounting changes and error corrections.

25. Prior period adjustments

Prior to January 1, 2023, Labette Health did not implement GASB 87, *Leases,* for leases that were immaterial to the financial statements. Effective January 1, 2023, Labette Health corrected the accounting for the immaterial lease assets and liabilities to be in accordance with generally accepted accounting principles. In addition, Labette Health corrected an immaterial misstatement to depreciation expense on a construction project placed into service in December 31, 2022. Labette Health also corrected the classification of cash flows on proceeds, principal payments, and interest paid on its line of credit from capital related financing activities to noncapital financing activities. The effect of correcting these errors on the year ended December 31, 2022 financial statements is shown in the table in Note W.

26. Subsequent events

Labette Health and its component units 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. See Note X for subsequent events identified.

Note B - Net Patient Service Revenue

Labette Health 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 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 - Inpatient acute and rehabilitation care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are paid at prospectively determined rates per occasion of service. Physician services, other than rural health clinic (RHC) services, rendered to Medicare program beneficiaries are paid based on a prospectively determined fee schedule. The prospectively determined rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. RHC physician services are paid based on cost reimbursement methodologies. Labette Health is paid for cost reimbursable and other items at tentative rates with final settlement determined after submission of annual cost reports by Labette Health and audits or reviews thereof by the Medicare administrative contractor. Labette Health'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. Labette Health's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2020.

Labette Health is classified as a sole community hospital (SCH) under the Medicare program. As a result, its inpatient operating diagnosis related group (DRG) payments are based on the higher of its hospital-specific operating DRG rate or the federal operating DRG rate upon which those payments would be based if Labette Health did not have SCH status. Labette Health is also qualified under the Medicare program to receive low-volume add-on payments for inpatient services.

Medicaid - Inpatient acute and rehabilitation care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on a fee-for-service basis.

The Kansas Medicaid program provides additional payments to qualifying providers under a reimbursement formula that incorporates uncompensated care costs, Kansas Medicaid utilization, public support of the provider, and other factors. Labette Health qualified for these disproportionate share payments during both 2023 and 2022.

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.

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

Note B - Net Patient Service Revenue - Continued

A summary of gross and net patient service revenue follows:

	2023	2022
Gross patient service revenue	$252,256,569	$244,417,120
Contractual adjustments	(153,992,207)	(148,964,746)
Provision for bad debts	(12,237,922)	(13,686,840)
Charity care	(1,211,799)	(1,185,531)
Net patient service revenue	$ 84,814,641	$ 80,580,003

Revenue from the Medicare and Medicaid programs accounted for approximately 22 percent and 9 percent, respectively, of Labette Health's net patient service revenue during 2023, and 27 percent and 7 percent, respectively, of Labette Health'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 will change by a material amount in the near term.

Note C - Deposits with Financial Institutions

Custodial credit risk is the risk that in an event of a bank failure, a government's deposits may not be returned to it. Labette Health's deposit policy of custodial credit risk requires compliance with the provisions of State law. In addition, Labette Health, LHEA, SEKRH, LHRP, and the Foundation maintain their cash in banks which are insured by the Federal Deposit Insurance Corporation (FDIC).

Kansas statutes authorize Labette Health 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 value equal to 100 percent of the uninsured amounts and must be assigned for the benefit of Labette Health.

At December 31, 2023, the carrying amount of Labette Health's bank deposits, including certificates of deposit, was $40,305,098 and the bank balances were $40,798,367. Of the bank balances, $6,947,860 was covered by federal depository insurance and $33,850,507 was covered by collateral held by third-party banks, but not registered in Labette Health's name.

At December 31, 2023, the carrying amount and balances of LHEA's bank deposits were $270,504. Of the bank balances, $250,000 was covered by federal depository insurance and $20,504 was unsecured and uncollateralized.

At December 31, 2023, the carrying amount and balance of SEKRH's bank deposits were $4,659, which was covered by federal depositary insurance.

At December 31, 2023, the carrying amount of the Foundation's bank deposits was $5,340,271 and the bank balances were $5,340,356. Of the bank balances, $1,250,000 was covered by federal depository insurance, $2,066,918 was covered by collateral held by third-party banks, and $2,023,438 was unsecured and uncollateralized.

Note D - Assets Limited as to Use

The composition of Labette Health's assets limited as to use is as follows:

	2023	2022
Internally designated for capital assets		
Cash	$ 3,315,575	$ 3,233,250
Certificates of deposit	12,956,132	12,781,171
Accrued interest receivable	70,850	21,999
	$ 16,342,557	$ 16,036,420
Under indenture agreement - held by trustee		
Money market funds	$ 740,306	$ 482,128
By County for capital assets		
Cash	$ 1,364,538	$ 1,317,477
Under indenture or loan agreement		
Cash	$ 270,300	$ 270,300

The composition of the discretely presented component units' assets limited as to use is as follows:

	2023	2022
Internally designated for capital assets		
Cash	$ 298,700	$ 298,700
Under loan agreement		
Cash	$ 158,593	$ 132,272
By contributors for specific operating activities		
Cash	$ 2,535,704	$ 3,155,322
Certificates of deposit	2,343,875	291,463
Money market funds		9,543
Equity mutual funds		71,766
Pledges receivable	601,658	651,573
	$ 5,481,237	$ 4,179,667

Note E - Investments

The discretely presented component units' investments are stated at fair value. The composition of their investments is as follows:

	2023	2022
Money market funds	$ 14,870	$ -
Common stocks	61,377	66,217
Equity mutual and exchange traded funds	182,164	100,627
Fixed income mutual and exhange traded funds	128,561	104,708
Real estate exchange traded funds	8,502	
	$ 395,474	$ 271,552

Note F - Fair Value of Financial Instruments

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:

Equity and fixed income mutual funds and exchange traded funds (EFTs) and common stocks are valued at unadjusted quoted prices for identical securities in active markets.

Note F - Fair Value of Financial Instruments - Continued

The following tables set forth, by level, the discretely presented component units' assets measured at fair value on a recurring basis:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Common stock	$ 61,377	$ -	$ -	$ 61,377
Equity mutual funds and ETFs	182,164			182,164
Fixed income mutual funds and ETFs	128,561			128,561
Real estate ETFs	8,502			8,502
	$ 380,604	$ -	$ -	$ 380,604

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Common stock	$ 66,217	$ -	$ -	$ 66,217
Equity mutual funds	172,393			172,393
Fixed income mutual funds	104,708			104,708
	$ 343,318	$ -	$ -	$ 343,318

Note G - Capital Assets

Capital asset additions, retirements, and balances for Labette Health are as follows:

	2023			
	Beginning balance	Additions	Transfers and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 949,808	$ -	$ -	$ 949,808
Construction in progress	4,262,345	1,865,765	(4,293,311)	1,834,799
Total capital assets not being depreciated	5,212,153	1,865,765	(4,293,311)	2,784,607
Capital assets being depreciated				
Buildings	71,261,016	201,707	3,253,519	74,716,242
Fixed equipment	16,907,971	10,801	1,250,347	18,169,119
Major movable equipment	23,576,714	1,077,029	(599,789)	24,053,954
Total capital assets being depreciated	111,745,701	1,289,537	3,904,077	116,939,315
Less accumulated depreciation				
Buildings	44,919,645	1,926,462		46,846,107
Fixed equipment	9,528,259	539,912		10,068,171
Major movable equipment	16,295,497	1,494,024	(705,681)	17,083,840
Total accumulated depreciation	70,743,401	3,960,398	(705,681)	73,998,118
Total capital assets being depreciated, net	41,002,300	(2,670,861)	4,609,758	42,941,197
Lease assets being amortized				
Buildings	15,477,939			15,477,939
Major movable equipment	2,234,958	103,233	(55,381)	2,282,810
Total lease assets being amortized	17,712,897	103,233	(55,381)	17,760,749
Less accumulated amortization				
Buildings	716,499	359,508		1,076,007
Major movable equipment	957,108	492,399	(55,381)	1,394,126
Total accumulated amortization	1,673,607	851,907	(55,381)	2,470,133
Total lease assets being amortized, net	16,039,290	(748,674)	-	15,290,616
Subscription IT assets being amortized	202,739	347,855	(129,691)	420,903
Less accumulated amortization	67,580	86,523	(61,243)	92,860
Total subscription IT assets being amortized, net	135,159	261,332	(68,448)	328,043
Capital assets, net	$ 62,388,902	$ (1,292,438)	$ 247,999	$ 61,344,463

Note G - Capital Assets - Continued

	2022			
	Beginning balance	Additions	Transfers and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 949,808	$ -	$ -	$ 949,808
Construction in progress	12,882,686	5,805,319	(14,425,660)	4,262,345
Total capital assets not being depreciated	13,832,494	5,805,319	(14,425,660)	5,212,153
Capital assets being depreciated				
Buildings	60,216,229	11,102	11,033,685	71,261,016
Fixed equipment	13,952,999	26,434	2,928,538	16,907,971
Major movable equipment	23,236,907	1,340,729	(1,000,922)	23,576,714
Total capital assets being depreciated	97,406,135	1,378,265	12,961,301	111,745,701
Less accumulated depreciation				
Buildings	43,332,616	1,587,029		44,919,645
Fixed equipment	9,043,718	499,295	(14,754)	9,528,259
Major movable equipment	16,201,706	1,461,217	(1,367,426)	16,295,497
Total accumulated depreciation	68,578,040	3,547,541	(1,382,180)	70,743,401
Total capital assets being depreciated, net	28,828,095	(2,169,276)	14,343,481	41,002,300
Lease assets being amortized				
Buildings	15,477,939			15,477,939
Major movable equipment	2,179,577	55,381		2,234,958
Total lease assets being amortized	17,657,516	55,381	-	17,712,897
Less accumulated amortization				
Buildings	356,991	359,508		716,499
Major movable equipment	464,709	492,399		957,108
Total accumulated amortization	821,700	851,907	-	1,673,607
Total lease assets being amortized, net	16,835,816	(796,526)	-	16,039,290
Subscription IT assets being amortized	202,739			202,739
Less accumulated amortization		67,580		67,580
Total subscription IT assets being amortized, net	202,739	(67,580)	-	135,159
Capital assets, net	$ 59,699,144	$ 2,771,937	$ (82,179)	$ 62,388,902

Note G - Capital Assets - Continued

Construction in progress for Labette Health at December 31, 2023, consists primarily of costs incurred for an addition and various renovations to Labette Health's facilities, computer system conversion project, and equipment purchased but not yet placed in service. At December 31, 2023, Labette Health's outstanding commitments for these projects were approximately $5,514,000.

Labette Health and the discretely presented component units' capital asset activity for the year ended December 31, 2023, includes $320,553 in the transfers and retirements column for the change in reporting entity described in Note A1.

Capital asset additions, retirements, and balances for the discretely presented component units are as follows:

	2023			
	Beginning balance	Additions	Transfers and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 673,384	$ -	$ (320,553)	$ 352,831
Total capital assets not being depreciated	673,384	-	(320,553)	352,831
Capital assets being depreciated				
Land improvements	985,822			985,822
Buildings	4,329,411			4,329,411
Fixed equipment	1,045,260			1,045,260
Total capital assets being depreciated	6,360,493	-	-	6,360,493
Less accumulated depreciation				
Land improvements	345,767	53,589		399,356
Buildings	1,610,908	259,203		1,870,111
Fixed equipment	390,876	70,577		461,453
Total accumulated depreciation	2,347,551	383,369	-	2,730,920
Total capital assets being depreciated, net	4,012,942	(383,369)		3,629,573
Capital assets, net	$ 4,686,326	$ (383,369)	$ (320,553)	$ 3,982,404

Note G - Capital Assets - Continued

	2022			
	Beginning balance	Additions	Transfers and retirements	Ending balance
Capital assets not being depreciated				
Land	$ 352,832	$ 320,552	$ -	$ 673,384
Total capital assets not being depreciated	352,832	320,552	-	673,384
Capital assets being depreciated				
Land improvements	985,822			985,822
Buildings	4,329,411			4,329,411
Fixed equipment	1,045,260			1,045,260
Total capital assets being depreciated	6,360,493	-	-	6,360,493
Less accumulated depreciation				
Land improvements	286,578	59,189		345,767
Buildings	1,342,284	268,624		1,610,908
Fixed equipment	319,734	71,142		390,876
Total accumulated depreciation	1,948,596	398,955	-	2,347,551
Total capital assets being depreciated, net	4,411,897	(398,955)	-	4,012,942
Capital assets, net	$ 4,764,729	$ (78,403)	$ -	$ 4,686,326

Note H - Leverage Loan Receivable

Labette Health entered into an agreement on November 13, 2020, to lend $9,959,600 to Labette Health Investment Fund, LLC. Interest of 1 percent accrues on the loan receivable balance from the date of the issuance through maturity, with interest only payments beginning March 1, 2021, and paid quarterly through December 31, 2027. Beginning on March 1, 2028, and continuing until the maturity date of March 31, 2045, the Labette Investment Fund will make quarterly payments of principal and interest sufficient to amortize the note by the maturity date. The note is secured by equity interests of 99.99 percent of CHHS Subsidiary CDE 47, LLC.

Note I - Advances Receivable

Labette Health has determined that recruitment of physicians to serve the residents of Labette County and the retention of key employees is in the best interest of Labette Health, its patients, and the community, and will enable Labette Health to enhance its ability to meet the health care needs of the community's residents. To accomplish this, Labette Health has entered into agreements with certain physicians to provide them with financial assistance as an inducement for them to establish medical practices in Labette Health's service area. In return, the physicians agree to provide professional services for the residents of Parsons and Labette County over periods varying from three to six years. Labette Health has also entered into agreements to

Note I - Advances Receivable - Continued

retain the services of a key employee and other employees. The financial assistance is rendered in the form of contractual liquidated damages clauses which require liquidated damages to be paid to Labette Health if the service obligation is not met. Upon establishment of their practices, or retention period, principal or liquidated damages and the accumulated interest on loans are forgiven ratably over the required service periods. If the physicians do not establish a medical practice, or if they leave the community prior to completion of the service obligation or the key employee does not complete the service obligation, they will be required to repay any unpaid or unforgiven principal and accumulated interest on the loans, or liquidated damages, as applicable.

Labette Health's future exposure to credit loss on these agreements is dependent upon the performance of the physicians and the key employee under these agreements. Outstanding commitments for future advances were approximately $518,000 at December 31, 2023.

Note J - Health Insurance Claims

Labette Health sponsors a self-insured employee health insurance plan. Labette Health has reinsured a portion of its risk for health insurance claims of its employees. The reinsurance arrangement generally covers claims totaling over $100,000 for each covered individual on an annual basis. The reinsurance arrangement also covers aggregate annual claims of the plan in excess of an amount determined in relation to the number of individuals participating in the plan during the year. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. Labette Health has retained an agent to process and settle claims.

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

	2023	2022
Estimated net health insurance claims payable at beginning of year	$ 383,886	$ 260,030
Provision for employer's share of incurred claims and related expenses for the year, net of any reinsurance proceeds	3,825,033	3,241,043
Participant contributions	1,248,882	1,231,619
Payments made for claims and related expenses	(5,028,178)	(4,348,806)
Estimated net health insurance claims payable at end of year	$ 429,623	$ 383,886

Note K - COVID-19 Revenue

COVID-19 revenue consists of federal financial assistance Labette Health received through the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act and subsequent legislation. Labette Health received the United States Department of Health and Human Services (HHS) provider relief funds to be used to prevent, prepare for, and respond to coronavirus and to reimburse Labette Health for health care related expenses and lost revenues as defined by HHS, that are attributable to coronavirus (COVID-19). Labette Health also received HHS rural health clinic testing funds to be used to support coronavirus testing and related expense in the rural health clinics, and Coronavirus Relief Funds administered by the State of Kansas SPARK (Strengthening People and Revitalizing Kansas) program to respond to coronavirus. As a condition to receiving these distributions, Labette Health agreed to the terms

Note K - COVID-19 Revenue - Continued

and conditions of the funds. These funds are considered voluntary nonexchange transactions subject to eligibility requirements and are recognized as unearned revenues until such time 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. During the year ended December 31, 2022, Labette Health recognized $4,220,482 as COVID-19 revenue included as nonoperating activities and capital grants.

Note L - Long-Term Debt

Long-term debt obligations of Labette Health are summarized as follows:

	2023	2022
3.80% Labette County, Kansas Hospital Refunding Revenue Bonds, Series 2017; issued on January 26, 2017, in the original amount of $15,000,000; due serially through September 1, 2036, with principal payments beginning on March 1, 2017	$ 11,457,000	$ 12,142,000
3.80% Labette County, Kansas Hospital Revenue Bonds, Series 2020; issued on June 2, 2020, in the original amount of $10,000,000; due serially through September 1, 2036, with principal payments beginning on September 1, 2020	8,921,000	6,439,856
2.65% Labette County, Kansas Hospital Refunding and Improvement Revenue Bonds, Series 2021; issued on November 9, 2021, in the original amount of $9,918,000; due serially through September 1, 2041, with principal payments beginning on September 1, 2022	9,099,000	9,489,000
Note payable bank obligations; interest rates from 2.35% to 5.00%; in the original loan amounts of $1,499,821 collateralized by equipment and building improvements	210,587	577,249
$2,800,000 line of credit, 2.2% rate at March 26, 2021 with monthly principal and interest payments due through March 26, 2024, renewed on March 24, 2024 at rate of 2.2% through March 24, 2027	1,384,563	1,324,587
1.41% Promissory note in the original amount of $9,959,600; due through December 31, 2051; quarterly interest payments beginning March 1, 2021; quarterly principal and interest payments beginning March 1, 2028	9,959,600	9,959,600

Note L - Long-Term Debt - Continued

	2023	2022
1.41% Promissory note in the original amount of $3,620,400; due through December 31, 2051; quarterly interest payments beginning March 1, 2021; quarterly principal and interest payments beginning March 1, 2028	$ 3,620,400	$ 3,620,400
4.00% Mortgage note payable to individual, in the original amount of $200,000; payable in annual installments of $50,000, including interest through February 1, 2026	150,000	
	44,802,150	43,552,692
Less current maturities	3,164,150	2,882,710
Long-term obligations, less current maturities	$ 41,638,000	$ 40,669,982

The following is a summary of changes in long-term obligations for Labette Health:

	Notes payable	Hospital revenue bonds	Total long-term obligations
Outstanding at January 1, 2022	$ 17,131,401	$ 24,790,660	$ 41,922,061
Obligations incurred		4,754,196	4,754,196
Principal payments	(1,649,565)	(1,474,000)	(3,123,565)
Outstanding at December 31, 2022	15,481,836	28,070,856	43,552,692
Obligations incurred	1,131,214	2,875,144	4,006,358
Change in reporting entity	200,000		200,000
Principal payments	(1,487,900)	(1,469,000)	(2,956,900)
Outstanding at December 31, 2023	$ 15,325,150	$ 29,477,000	$ 44,802,150

On January 26, 2017, the County issued $15,000,000 in Hospital Refunding Revenue Bonds, Series 2017 (the 2017 bonds), for the benefit of Labette Health pursuant to a Second Supplemental Bond Trust Indenture dated January 1, 2017. The proceeds of the 2017 bonds were used, together with other available funds of Labette Health, for the purpose of providing funds to (1) advance refund $16,360,000 of the Series A, 2007 bonds, and $2,200,000 of the Series B, 2007 bonds, and (2) pay certain costs related to the issuance of the 2017 bonds.

On June 2, 2020, the County issued Hospital Revenue Bonds, Series 2020, (the Series 2020 bonds) in the principal amount not to exceed $10,000,000 for the benefit of Labette Health pursuant to a Third Supplemental Bond Trust Indenture dated June 1, 2020. The proceeds of the 2020 bonds are to be drawn on as needed after Labette Health expends $6,500,000 of their own funds on renovation and expansion of the current facility and drawn to pay certain costs related to the issuance of the 2020 bonds.

Note L - Long-Term Debt - Continued

On November 9, 2021, the County issued $9,918,000 in Hospital Refunding and Improvement Revenue Bonds, Series 2021 (the 2021 bonds), for the benefit of Labette Health pursuant to a Fourth Supplemental Bond Trust Indenture dated November 1, 2021. The proceeds of the 2021 bonds were used, together with other available funds to (1) refund $7,730,000 of the Series 2016 bonds, (2) pay certain costs related to the issuance of the 2021 bonds, and (3) pay for renovations and expansion of Labette Health's facilities. The refunding transaction decreased the total amount of future debt service requirements by $2,897,949. This resulted in an economic gain of $1,615,562.

The indenture agreements for the 2016, 2017, 2020, and 2021 bonds require Labette Health to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay principal and interest for the bonds on the appropriate due dates. Such amounts were maintained and are included with assets limited as to use in the financial statements. The obligations of Labette Health under the indenture agreement are secured by a pledge of its unrestricted revenues, subject to the right of Labette Health to dispose of or encumber property as defined and permitted in the indenture agreement. The indenture agreement also includes certain restrictive covenants relating to the disposition of property, incurrence of additional indebtedness, the level of days cash on hand, and the level of fees and rates charged. The covenant in the indenture agreement regarding the level of days cash on hand requires that those levels equal or exceed 75 days. The covenant in the indenture agreement regarding the level of fees and rates charged requires that fees and rates for services be set at levels sufficient for Labette Health to produce income available for debt service in each fiscal year equal to 125 percent of the debt service requirements during that fiscal year for outstanding debt. That ratio value was 101 percent and 139 percent for the years ended December 31, 2023 and 2022, respectively.

On November 13, 2020, LHEA, executed loan agreements, Note A in the principal amount of $9,959,600 and Note B in the principal amount of $3,620,400 with CHHS Subsidiary CDE 47, LLC. The notes are secured by a leasehold mortgage on certain areas of Labette Health's facilities. LHEA is not permitted to prepay any portion of the principal of the loans until November 13, 2027 (seven-year term). At the end of the seven-year term, a put/call agreement may be exercised, whereby Wells Fargo Community Investment Holdings, LLC, sole-member of Labette Health Investment Fund, LLC a 99.99 percent owner in CCHS Subsidiary CDE 47, LLC, is sold to LHEA. Under the terms of the loan agreements, LHEA has certain compliance requirements, including compliance reporting and maintaining its status as a qualified active low-income community business as defined by the Internal Revenue Code.

Scheduled annual debt service requirements for Labette Health's hospital revenue bonds are as follows:

	Principal	Interest	Total
2024	$ 1,519,000	$ 943,818	$ 2,462,818
2025	1,571,000	892,159	2,463,159
2026	1,623,000	839,531	2,462,531
2027	1,676,000	785,117	2,461,117
2028	1,733,000	729,491	2,462,491
2029 - 2033	9,577,000	2,730,891	12,307,891
2034 - 2038	8,643,000	1,111,983	9,754,983
2039 - 2040	3,135,000	159,327	3,294,327
	$ 29,477,000	$ 8,192,317	$ 37,669,317

Note L - Long-Term Debt - Continued

Scheduled payments on Labette Health's notes payable are as follows:

	Principal	Interest	Total
2024	$ 1,645,150	$ 206,611	$ 1,851,761
2025	50,000	195,607	245,607
2026	50,000	193,607	243,607
2027		199,058	199,058
2028	478,941	189,080	668,021
2029 - 2033	2,498,555	841,552	3,340,107
2034 - 2038	2,680,855	659,252	3,340,107
2039 - 2043	2,876,457	463,650	3,340,107
2044 - 2048	3,086,330	253,777	3,340,107
2049 - 2051	1,958,862	45,203	2,004,065
Total minimum lease payments	$ 15,325,150	$ 3,247,397	$ 18,572,547

Long-term obligations of the discretely presented component units are summarized as follows:

	2023	2022
2.38% USDA Community Facilities loan, in the original amount of $5,600,000; payable in monthly installments of $19,656, including interest through October 25, 2052	$ 4,917,970	$ 5,035,525
3.25% USDA Community Facilities loan, in the original amount of $400,000; payable in monthly installments of $1,596, including interest through October 25, 2052	358,100	365,485
4.00% Mortgage note payable to individual, in the original amount of $200,000; payable in annual installments of $50,000, including interest through February 1, 2026		200,000
	5,276,070	5,601,010
Less current maturities	127,648	174,939
	$ 5,148,422	$ 5,426,071

Note L - Long-Term Debt - Continued

The following is a summary of changes in long-term debt for the discretely presented component units:

Outstanding at January 1, 2022	$ 5,522,957
Obligations incurred	200,000
Principal payments	(121,947)
Outstanding at December 31, 2022	5,601,010
Change in reporting entity	(200,000)
Principal payments	(124,940)
Outstanding at December 31, 2023	$ 5,276,070

Scheduled annual debt service requirements on long-term debt for the discretely presented component units, are as follows:

	Principal	Interest	Total
2024	$ 127,648	$ 127,376	$ 255,024
2025	131,138	123,886	255,024
2026	134,358	120,666	255,024
2027	137,657	117,367	255,024
2028	140,717	114,307	255,024
2029 - 2033	758,569	516,551	1,275,120
2034 - 2038	856,559	418,561	1,275,120
2039 - 2043	967,323	307,797	1,275,120
2044 - 2048	1,092,468	182,652	1,275,120
2049 - 2052	929,633	44,973	974,606
	$ 5,276,070	$ 2,074,136	$ 7,350,206

Note M - Leases

Labette Health leases certain equipment and buildings, the terms of which expire in various years through 2067. Payments are based on each specific agreement and the periodic base rents range from $1,495 to $50,000 per month, with certain agreements containing variable lease payments. Variable lease payments pertain to rental escalation clauses based on an index adjustment multiplier equal to the percentage increase in the Gross Domestic Product Implicit Price Deflator published by the U.S. Bureau of Economic Analysis. No variable lease payments were recognized as outflows of resources for the years ended December 31, 2023 and 2022.

The following is a summary of lease liabilities as of December 31:

	2023	2022
Current portion of lease liabilities	$ 682,432	$ 688,727
Noncurrent portion of lease liabilities	15,156,554	15,735,753
Total lease liabilities	$ 15,838,986	$ 16,424,480

Note M - Leases - Continued

The following is a summary of changes in lease liabilities of Labette Health:

	2023	2022
Beginning balance at January 1,	$ 16,424,480	$ 17,036,763
Lease obligations incurred	103,233	55,381
Principal payments	(688,727)	(667,664)
Ending balance at December 31,	$ 15,838,986	$ 16,424,480

Scheduled lease payments for Labette Health's lease liabilities are as follows:

	Principal	Interest	Total
2024	$ 682,432	$ 464,928	$ 1,147,360
2025	456,537	447,687	904,224
2026	265,775	437,878	703,653
2027	274,143	429,510	703,653
2028	215,097	421,721	636,818
2029 - 2033	1,101,417	2,012,582	3,113,999
2034 - 2038	1,273,711	1,834,589	3,108,300
2039 - 2043	1,362,450	1,637,550	3,000,000
2044 - 2048	1,582,645	1,417,355	3,000,000
2049 - 2053	1,838,427	1,161,573	3,000,000
2054 - 2058	2,135,547	864,453	3,000,000
2059 - 2063	2,480,687	519,313	3,000,000
2064 - 2067	2,170,118	129,882	2,300,000
Total minimum lease payments	$ 15,838,986	$ 11,779,021	$ 27,618,007

The discretely presented component units include lease receivables and deferred inflows of resources for the lease of the Foundation's Independence Facility to Labette Health of $14,621,695 and $14,780,453 at December 31, 2023 and 2022, respectively. Income from the lease consisted of the following:

	2023	2022
Rental income	$ 158,758	$ 154,071
Investment income	441,242	445,929
	$ 600,000	$ 600,000

Note N - Subscription IT Liabilities

Labette Health's subscription IT liabilities primarily related to software subscriptions for its patient accounting and electronic medical records system and supporting modules. Payments are based on each underlying contract and vary between monthly, quarterly, semi-annual, and annual payments. In certain conditions, the vendor is allowed to increase the subscription payment annually. The differences between the original payment schedules and the current payment schedules are considered variable consideration. The variable consideration was not significant for the years ended December 31, 2023 and 2022.

The following is a summary of subscription IT liabilities as of December 31:

	2023	2022
Current portion of subscription IT liabilities	$ 138,195	$ 66,727
Noncurrent portion of subscription IT liabilities	134,296	69,497
Total subscription IT liabilities	$ 272,491	$ 136,224

The following is a summary of changes in subscription IT liabilities of Labette Health:

	2023	2022
Beginning balance at January 1,	$ 136,224	$ 202,739
Subscription IT obligations incurred	347,855	
Principal payments	(141,873)	(66,515)
Subscription termination	(69,715)	
Ending balance at December 31,	$ 272,491	$ 136,224

Scheduled subscription IT liability payments are as follows:

	Principal	Interest	Total
2024	$ 138,195	$ 7,640	$ 145,835
2025	116,546	3,458	120,004
2026	17,750	133	17,883
Total minimum subscription IT liability payments	$ 272,491	$ 11,231	$ 283,722

Note O - Interest Expense

Total interest costs of Labette Health are summarized as follows:

	2023	2022
Total interest incurred	$ 1,656,563	$ 1,605,473
Amortization of deferred outflows on advance refunding	30,395	32,163
Interest expense	$ 1,686,958	$ 1,637,636

Total interest expense for the discretely presented component units for December 31, 2023 and 2022, was $130,085 and $133,077, respectively.

Note P - Defined Contribution Pension Plans

Labette Health sponsors a defined contribution pension plan that provides pension benefits for substantially all of its full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by a third-party insurance company and can be amended by the Board of Trustees. The provisions of the plan are as follows.

Employees become eligible for employer contributions after completing one year of service. Labette Health contributes a percentage of gross compensation based on the eligible employee's years of service as follows: 2 percent if more than one year but less than five years of service; 4 percent if five or more years of service but less than fifteen; and 6 percent if fifteen or more years of service. Labette Health may also make a discretionary matching contribution of participant contributions to the plan. The contribution cannot exceed a percentage of gross compensation based on the eligible employee's years of service as follows: 1 percent if more than five years of service but less than ten years of service, and 2 percent if more than ten years of service. The employees are not required to make contributions to the plan but may elect to contribute from 1 percent to 20 percent of the participant's compensation subject to maximum limits as defined by the Internal Revenue Service. Labette Health's contributions for each employee are fully vested after ten years of continuous service.

For the years ended December 31, 2023 and 2022, Labette Health and covered employees made contributions to the plan as follows:

	2023	2022
Employer contributions	$ 525,000	$ 560,400
Employee contributions	581,388	489,431
	$ 1,106,388	$ 1,049,831

Labette Health has entered into deferred compensation agreements with certain employees. These agreements are eligible deferred compensation plans under Section 401(a) or 457(b) of the Internal Revenue Code. The plans can be amended by mutual consent of Labette Health and the plans' participants. All assets of the plans are held by a third-party investment company for the sole benefit of the employee and the

Note P - Defined Contribution Pension Plans - Continued

employee's designated beneficiary. The plans generally provide for employer contributions based on the employees' years of service. The employees are not required to make contributions to the plans but may elect to contribute a percentage of compensation subject to maximum limits as defined by the Internal Revenue Service. Labette Health's contributions become fully vested after periods defined in each plan. For the years ended December 31, 2023 and 2022, Labette Health and covered employees made contributions to these plans as follows:

	2023	2022
Employer contributions	$ 676,176	$ 570,615
Employee contributions	339,915	221,834
	$ 1,016,091	$ 792,449

Note Q - Concentration of Credit Risk

Labette Health 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 at December 31, 2023 and 2022, is as follows:

	2023	2022
Medicare	20.3 %	24.8 %
Medicaid	9.7	10.5
Blue Cross	11.4	11.3
Other insurers	30.7	28.8
Patients	27.9	24.6
	100.0 %	100.0 %

Note R - Condensed Financial Information

The following is condensed combined financial data for Labette Health and its blended component units LHEA and SEKRH as of December 31, 2023, and for the year then ended and Labette Health and its blended component unit LHEA as of December 31, 2022, and for the year then ended:

	December 31, 2023				
	Labette Health	LHEA	SEKRH	Eliminations	Total
Current assets	$ 38,416,989	$ 204	$ 4,660	$ (459,110)	$ 37,962,743
Noncurrent cash and investments	17,925,146	270,300			18,195,446
Capital assets, net	52,818,293	20,495,298	569,334	(12,538,462)	61,344,463
Leverage loan receivable	9,959,600				9,959,600
Noncurrent portion of lease receivables		13,583,956		(13,583,956)	
Other assets	936,980				936,980
Total assets	120,057,008	34,349,758	573,994	(26,581,528)	128,399,232
Deferred outflows of resources	201,965				201,965
Total assets and deferred outflows of resources	$ 120,258,973	$ 34,349,758	$ 573,994	$ (26,581,528)	$ 128,601,197
Current liabilities	$ 14,266,083	$ -	$ 509,110	$ (459,110)	$ 14,316,083
Long-term debt	27,958,000	13,580,000	100,000		41,638,000
Lease liabilities, noncurrent portion	28,740,510			(13,583,956)	15,156,554
Subscription IT liabilities, noncurrent portion	134,296				134,296
Total liabilities	71,098,889	13,580,000	609,110	(14,043,066)	71,244,933
Deferred inflows of resources		13,582,712		(13,582,712)	
Total net position	49,160,084	7,187,046	(35,116)	1,044,250	57,356,264
Total liabilities, deferred inflows of resources and net position	$ 120,258,973	$ 34,349,758	$ 573,994	$ (26,581,528)	$ 128,601,197

Note R - Condensed Financial Information - Continued

	December 31, 2022			
	Labette Health	LHEA	Eliminations	Total
Current assets	$ 40,618,633	$ -	$ -	$ 40,618,633
Noncurrent cash and investments	17,393,294	270,300		17,663,594
Capital assets, net	54,771,501	20,603,665	(12,986,264)	62,388,902
Leverage loan receivable	9,959,600			9,959,600
Noncurrent portion of lease receivables		13,583,677	(13,583,677)	
Other assets	1,098,725			1,098,725
Total assets	123,841,753	34,457,642	(26,569,941)	131,729,454
Deferred outflows of resources	232,360			232,360
Total assets and deferred outflows of resources	$ 124,074,113	$ 34,457,642	$ (26,569,941)	$ 131,961,814
Current liabilities	$ 16,192,805	$ -	$ -	$ 16,192,805
Long-term debt	27,089,982	13,580,000		40,669,982
Lease liabilities, noncurrent portion	29,319,430		(13,583,677)	15,735,753
Subscription IT liabilities, noncurrent portion	69,497			69,497
Total liabilities	72,671,714	13,580,000	(13,583,677)	72,668,037
Deferred inflows of resources		13,582,991	(13,582,991)	
Total net position	51,402,399	7,294,651	596,727	59,293,777
Total liabilities, deferred inflows of resources, and net position	$ 124,074,113	$ 34,457,642	$ (26,569,941)	$ 131,961,814

Note R - Condensed Financial Information - Continued

	December 31, 2023				
	Labette Health	LHEA	SEKRH	Eliminations	Total
Net patient service revenue	$ 84,814,641	$ -	$ -	$ -	$ 84,814,641
Other operating revenues	10,121,663				10,121,663
Total operating revenues	94,936,304	-	-	-	94,936,304
Salaries and wages	44,224,124				44,224,124
Employee benefits	8,127,797				8,127,797
Supplies and other expenses	40,220,563	43,679	3,587		40,267,829
Depreciation and amortization	5,346,630			(447,802)	4,898,828
Total operating expenses	97,919,114	43,679	3,587	(447,802)	97,518,578
Operating loss	(2,982,810)	(43,679)	(3,587)	447,802	(2,582,274)
Nonoperating revenues (expenses)	265,526	562	(1,995)	(279)	263,814
Transfers between Hospital and component unit	64,488	(64,488)			
Capital grant, contributions, and sales tax revenue for capital purchases	410,481				410,481
Change in net position	(2,242,315)	(107,605)	(5,582)	447,523	(1,907,979)
Net position beginning of year, as restated	51,402,399	7,294,651	(29,534)	596,727	59,264,243
Net position end of year	$ 49,160,084	$ 7,187,046	$ (35,116)	$ 1,044,250	$ 57,356,264

Note R - Condensed Financial Information - Continued

	December 31, 2022			
	Labette Health	LHEA	Eliminations	Total
Net patient service revenue	$ 80,580,003	$ -	$ -	$ 80,580,003
Other operating revenues	8,165,876			8,165,876
Total operating revenues	88,745,879	-	-	88,745,879
Salaries and wages	42,326,761			42,326,761
Employee benefits	7,492,458			7,492,458
Supplies and other expenses	36,460,484	35,938		36,496,422
Depreciation and amortization	4,913,123		(447,802)	4,465,321
Total operating expenses	91,192,826	35,938	(447,802)	90,780,962
Operating loss	(2,446,947)	(35,938)	447,802	(2,035,083)
Nonoperating revenues (expenses)	3,064,896	550	(275)	3,065,171
Transfers between Hospital and component unit	(4,048,426)	4,048,426		
Capital grant, contributions, and sales tax revenue for capital purchases	992,155			992,155
Change in net position	(2,438,322)	4,013,038	447,527	2,022,243
Net position beginning of year, as restated	53,840,721	3,281,613	149,200	57,271,534
Net position end of year, as restated	$ 51,402,399	$ 7,294,651	$ 596,727	$ 59,293,777

Note R - Condensed Financial Information - Continued

	December 31, 2023				
	Labette Health	LHEA	SEKRH	Eliminations	Total
Cash flows from operating activities					
Receipts from and on behalf of patients	$ 86,056,740	$ -	$ -	$ -	$ 86,056,740
Payments to or on behalf of employees	(52,106,648)				(52,106,648)
Payments for supplies and services	(40,799,406)	(43,679)	6,655	298,782	(40,537,648)
Other receipts and payments	10,329,178				10,329,178
Net cash provided (used) by operating activities	3,479,864	(43,679)	6,655	298,782	3,741,622
Cash flows from noncapital and related financing activities					
Transfer	(43,879)	43,879			
Proceeds from notes payable	1,131,214				1,131,214
Principal payments on long-term debt	(1,071,238)				(1,071,238)
Interest paid	(42,070)				(42,070)
Other noncapital financing activities	1,070,659	(279)		279	1,070,659
Net cash provided by capital and related financing activities	1,044,686	43,600	-	279	1,088,565
Cash flows from capital and related financing activities					
Acquisition of capital assets	(4,952,524)			(248,782)	(5,201,306)
Proceeds from bonds/notes payable	2,875,144				2,875,144
Principal payments on long-term debt, lease and SBITA liabilities	(2,665,983)			(50,279)	(2,716,262)
Payment of issuance costs and interest	(1,612,354)	(191,607)	(1,995)	191,886	(1,614,070)
Other capital financing activities	413,972				413,972
Net cash used by capital and related financing activities	(5,941,745)	(191,607)	(1,995)	(107,175)	(6,242,522)
Cash flows from investing activities					
Changes in					
Assets held by trustee	(258,178)				(258,178)
Investment income received	732,204	191,890		(191,886)	732,208
Net cash provided by investing activities	474,026	191,890	-	(191,886)	474,030
Net change in cash and cash equivalents	(943,169)	204	4,660	-	(938,305)
Cash and cash equivalents at beginning of year	41,248,667	270,300			41,518,967
Cash and cash equivalents at end of year	$ 40,305,498	$ 270,504	$ 4,660	$ -	$ 40,580,662
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	$ 22,669,253	$ 204	$ 4,660	$ -	$ 22,674,117
Cash included in assets limited as to use					
Internally designated for capital assets	16,271,707				16,271,707
By County for capital assets	1,364,538				1,364,538
Under indenture of loan agreement		270,300			270,300
Total cash and cash equivalents	$ 40,305,498	$ 270,504	$ 4,660	$ -	$ 40,580,662

Note R - Condensed Financial Information - Continued

	December 31, 2022			
	Labette Health	LHEA	Eliminations	Total
Cash flows from operating activities				
Receipts from and on behalf of patients	$ 80,366,316	$ -	$ -	$ 80,366,316
Payments to or on behalf of employees	(50,060,052)			(50,060,052)
Payments for supplies and services	(35,845,643)	(35,938)		(35,881,581)
Other receipts and payments	7,594,338			7,594,338
Net cash provided (used) by operating activities	2,054,959	(35,938)	-	2,019,021
Cash flows from noncapital and related financing activities				
COVID-19 grants received	129,854			129,854
Transfer	(35,938)	35,938		
Principal payments on long-term debt	(1,047,950)			(1,047,950)
Interest paid	(42,070)			(42,070)
Other noncapital financing activities	1,136,094	(275)	275	1,136,094
Net cash provided by capital and related financing activities	139,990	35,663	275	175,928
Cash flows from capital and related financing activities				
Acquisition of capital assets	(6,719,896)			(6,719,896)
Proceeds from bonds/notes payable	4,754,196			4,754,196
Principal payments on long-term debt, lease and SBITA liabilities	(2,809,673)		(275)	(2,809,948)
Payment of issuance costs and interest	(1,489,103)	(191,607)	191,882	(1,488,828)
COVID-19 capital grants received	31,750			31,750
Other capital financing activities	175,544			175,544
Net cash used by capital and related financing activities	(6,057,182)	(191,607)	191,607	(6,057,182)
Cash flows from investing activities				
Changes in				
Assets held by trustee	1,747,681			1,747,681
Investment income received	265,484	191,882	(191,882)	265,484
Net cash provided by investing activities	2,013,165	191,882	(191,882)	2,013,165
Net change in cash and cash equivalents	(1,849,068)	-	-	(1,849,068)
Cash and cash equivalents at beginning of year	43,097,735	270,300		43,368,035
Cash and cash equivalents at end of year	$ 41,248,667	$ 270,300	$ -	$ 41,518,967
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	$ 23,916,769	$ -	$ -	$ 23,916,769
Cash included in assets limited as to use				
Internally designated for capital assets	16,014,421			16,014,421
By County for capital assets	1,317,477			1,317,477
By contributors for capital assets		270,300		270,300
Total cash and cash equivalents	$ 41,248,667	$ 270,300	$ -	$ 41,518,967

Note R - Condensed Financial Information - Continued

The following is condensed financial data for the discretely presented component units of Labette Health as of December 31, 2023 and 2022, and for the years then ended. The Foundation is a major component unit due to the considerable financial benefit it provides to Labette Health.

	2023		2022	
	Major component unit	Nonmajor component unit	Major component unit	Nonmajor component units
Cash and cash equivalents	$ 3,399	$ 2,671	$ -	$ 2,671
Investments	395,474		271,552	
Other receivables	4,183		193	
Lease receivable	163,586		158,758	
Pledges receivable	9,821		13,216	
Total current assets	576,463	2,671	443,719	2,671
Assets limited as to use	5,938,530		4,610,639	
Capital assets, net	3,799,596	182,808	4,164,389	521,937
Lease receivable less current portion	14,458,109		14,621,695	
Other assets	137,233		117,111	
Total assets	$ 24,909,931	$ 185,479	$ 23,957,553	$ 524,608
Current portion of long-term obligations	$ 127,648	$ -	$ 124,939	$ 50,000
Due to Labette Health	75	46,303		242,765
Total current liabilities	127,723	46,303	124,939	292,765
Long-term obligations, less current maturities	5,148,422		5,276,071	150,000
Total liabilities	5,276,145	46,303	5,401,010	442,765
Deferred inflows of resources	14,621,695		14,780,453	
Net position				
Net investment in capital assets	(1,476,474)	136,505	(1,236,621)	79,172
Restricted				
For debt service	158,593		132,272	
Expendable for specific Labette Health operating activities	5,481,237		4,179,667	
Unrestricted	848,735	2,671	700,772	2,671
Total net position	5,012,091	139,176	3,776,090	81,843
Total liabilities, deferred inflows of resources, and net position	$ 24,909,931	$ 185,479	$ 23,957,553	$ 524,608

Note R- Condensed Financial Information - Continued

	2023		2022	
	Major component unit	Nonmajor component unit	Major component unit	Nonmajor component units
Rental revenue from Labette Health	$ 158,758	$ 47,234	$ 154,071	$ 52,567
Other operating revenues	1,412,578		546,440	
Total operating revenues	1,571,336	47,234	700,511	52,567
Supplies and other expenses	403,506	858	382,314	2,432
Depreciation and amortization	364,792	18,577	380,377	18,578
Total operating expenses	768,298	19,435	762,691	21,010
Operating income (loss)	803,038	27,799	(62,180)	31,557
Nonoperating revenues (expenses)	432,963		210,017	
Change in net position	1,236,001	27,799	147,837	31,557
Net position beginning of year, as previously reported	3,776,090	81,843	3,628,253	50,286
Change in reporting entity		29,534		
Net position beginning of year, as restated	3,776,090	111,377	3,628,253	50,286
Net position end of year	$ 5,012,091	$ 139,176	$ 3,776,090	$ 81,843

Note R - Condensed Financial Information - Continued

	2023		2022	
	Major component unit	Nonmajor component unit	Major component unit	Nonmajor component units
Cash flows from operating activities				
Payments for supplies and services	$ (403,431)	$ (47,234)	$ (382,314)	$ (52,567)
Other receipts and payments	1,624,646	47,234	1,239,618	52,567
Net cash provided by operating activities	1,221,215	-	857,304	-
Cash flows from capital and related financing activities				
Acquisition of capital assets				(200,000)
Proceeds from note payable				200,000
Repayments of long-term obligations	(124,939)		(121,947)	
Interest paid	(130,085)		(133,077)	
Net cash used by capital and related financing activities	(255,024)	-	(255,024)	-
Cash flows from investing activities				
Changes in				
Investments	(16,665)		170,045	
Investment income received	512,988		458,526	
Net cash provided by investing activities	496,323	-	628,571	-
Net change in cash and cash equivalents	1,462,514	-	1,230,851	
Cash and cash equivalents at beginning of year	3,877,757	2,671	2,646,906	2,671
Cash and cash equivalents at end of year	$ 5,340,271	$ 2,671	$ 3,877,757	$ 2,671
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	$ 3,399	$ 2,671	$ -	$ 2,671
Cash included in assets limited as to use				
Internally designated for capital assets	298,700		298,700	
Under loan agreement	158,593		132,272	
For specific operating activities	4,879,579		3,446,785	
Total cash and cash equivalents	$ 5,340,271	$ 2,671	$ 3,877,757	$ 2,671

Note S - Risk Management

For the years ended December 31, 2023 and 2022, Labette Health was insured for hospital 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. Labette Health 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 Labette Health 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 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 period of $3,000,000. All coverage is on a claims-made basis. The above policies were renewed on January 1, 2024, for the policy period from January 1, 2024 to January 1, 2025.

In addition to the risks disclosed elsewhere in these financial statements and notes thereto, Labette Health is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. Labette Health purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note T - Commitments and Contingencies

Labette Health purchases professional and general liability insurance to cover medical malpractice and other liability claims (Note S). There are known claims and incidents that have been asserted. These claims have been referred to Labette Health's insurance carriers and are in various stages of processing. No accrual for loss contingencies related to these matters have been made in the financial statements as the amount of ultimate settlement, if any, cannot be reasonably estimated.

Note U - Related Party Transactions

Labette Health received $348,640 and $320,623 from the Foundation during 2023 and 2022, respectively. Labette Health incurred $111,207 and $154,357 in salary, employee benefits, and professional fees on behalf of the Foundation during 2023 and 2022, respectively. Labette Health paid rent to the Foundation totaling $600,000 during 2023 and 2022.

Labette Health paid rent to LHRP totaling $47,234 and $52,567 during 2023 and 2022, respectively.

A member of Labette Health's board of trustees is an executive officer of a local bank. At December 31, 2023, Labette Health had approximately $2,457,000 of deposits with this bank in addition to outstanding equipment finance purchase agreements of approximately $189,970.

A member of LHEA's board of directors is the president of another local bank. At December 31, 2023, Labette Health had approximately $10,780,000 of deposits with this bank in addition to an outstanding note payable of approximately $11,000.

A member of SEKRH's board of directors is an executive officer of a local bank. At December 31, 2023, Labette Health had approximately $8,172,000 of deposits with this bank in addition to outstanding debt of approximately $1,595,000. In addition, a member of SEKRH's board is an independent contracted physician providing services to Labette Health. Labette Health incurred expenses of approximately $422,000 and $456,000 for the year ended December 31, 2023 and 2022, for these services.

Note V - County Tax Proceeds

On June 26, 2001, voters of the County approved a .25 percent health care retailers' sales tax to be used as a source of funding for the provision of emergency medical services. The County has agreed to pay Labette Health an amount equal to the lesser of 100 percent of the sales tax or 95 percent of Labette Health's direct loss attributable to the provision of ambulance services. Of the sales tax, 100 percent exceeded 95 percent of Labette Health's direct loss attributable to the provision of ambulance services by $316,648 during 2023 and by $172,732 during 2022. The County has restricted these amounts to use for future capital acquisitions for ambulance services.

Note W - Prior Period Adjustments

The following changes were made to Labette Health's 2022 financial statement amounts for the correction of error described in Note A25 and adoption of new accounting standard described in Note A24.

	Amount as previously reported	Correction of error	Adoption of accounting standard	Amount as restated
Labette Health				
Statement of Net Position				
Assets				
Depreciable capital assets, net	$ 40,894,289	$ 108,011	$ -	$ 41,002,300
Lease assets, net	16,153,479	(114,189)		16,039,290
Subscription IT assets, net			135,159	135,159
Capital assets, net	62,259,921	(6,178)	135,159	62,388,902
Total assets	131,600,473	(6,178)	135,159	131,729,454
Total assets and deferred outflows of resources	131,832,833	(6,178)	135,159	131,961,814
Liabilities				
Current maturities of lease liabilities	604,611	84,116		688,727
Current maturities of subscription IT liabilities			66,727	66,727
Total current liabilities	16,041,962	84,116	66,727	16,192,805
Lease liabilities less current maturities	15,806,582	(70,829)		15,735,753
Subscription IT liabilities, less current maturities			69,497	69,497
Total long-term liabilities	56,476,564	(70,829)	69,497	56,475,232
Total liabilities	72,518,526	13,287	136,224	72,668,037
Net position				
Net investment in capital assets	5,605,894	(127,475)	(1,065)	5,477,354
Unrestricted	52,120,636	108,010		52,228,646
Total net position	59,314,307	(19,465)	(1,065)	59,293,777
Total liabilities, deferred inflows of resources, and net position	131,832,833	(6,178)	135,159	131,961,814

Note W - Prior Period Adjustments - Continued

	Amount as previously reported	Correction of error	Adoption of accounting standard	Amount as restated
Labette Health				
Statements of Revenues, Expenses, and Changes in Net Position				
Operating expenses				
Supplies and other	$ 36,647,741	$ (81,826)	$ (69,493)	$ 36,496,422
Depreciation and amortization	4,293,729	104,012	67,580	4,465,321
Total operating expenses	90,760,689	22,186	(1,913)	90,780,962
Operating income (loss)	(2,014,810)	(22,186)	1,913	(2,035,083)
Nonoperating revenues (expenses)				
Interest expense	(1,632,382)	(2,276)	(2,978)	(1,637,636)
Total nonoperating revenues (expenses)	3,070,425	(2,276)	(2,978)	3,065,171
Excess of revenues over expense before capital items	1,055,615	(24,462)	(1,065)	1,030,088
Change in net position	2,047,770	(24,462)	(1,065)	2,022,243
Net position at beginning of year	57,266,537	4,997		57,271,534
Statement of Cash Flows				
Cash flows from operating activities				
Payments for supplies and services	(36,032,900)	81,826	69,493	(35,881,581)
Net cash provided by operating activities	1,867,702	81,826	69,493	2,019,021
Cash flows from noncapital financing activities				
Principal payments on long-term debt		(1,047,950)		(1,047,950)
Interest paid		(42,070)		(42,070)
Cash flows from capital and related financing activities				
Acquisition of capital assets	(6,720,050)	154		(6,719,896)
Principal payments on long-term debt	(3,123,565)	1,047,950		(2,075,615)
Principal payments on lease liabilities	(588,114)	(79,704)		(667,818)
Principal payments on subscription IT liabilities			(66,515)	(66,515)
Interest paid	(1,525,644)	39,794	(2,978)	(1,488,828)
Net cash used by capital and related financing activities	(6,995,883)	1,008,194	(69,493)	(6,057,182)

Note X - Subsequent Events

On May 9, 2024, Labette Health entered into a construction contract for expansion of the Independence Healthcare Facility of approximately $6,564,000. Labette Health has been awarded $6,000,000 in federal awards for the construction project that has a budgeted total of approximately $7,156,000.

Subsequent to December 31, 2023, Labette Health entered into several agreements for software totaling approximately $415,000 as part of their computer system conversion project.