Lane County Hospital
A Component Unit of Lane County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Lane County Hospital
Dighton, Kansas

Opinion

We have audited the financial statements of Lane County Hospital, a component unit of Lane 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 Lane County Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Lane County Hospital as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in *Note 13* to the financial statements, during the year ended *December 31, 2023*, *Lane County Hospital* adopted Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lane County Hospital'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 Lane County Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

FORVIS, LLP

Wichita, Kansas
May 21, 2024

Lane County Hospital
A Component Unit of Lane County, Kansas
Balance Sheets
December 31, 2023 and 2022

	2023	2022 (As Restated)
Assets		
Current Assets		
Cash	$ 1,151,873	$ 1,072,591
Short-term investments	1,462,404	686,738
Patient accounts receivable, net of allowance; 2023 – $252,770; 2022 – $224,655	1,082,897	689,383
Estimated amounts due from third-party payers	-	547,000
Supplies	110,719	151,677
Prepaid expenses and other	354,620	425,716
Total current assets	4,162,513	3,573,105
Noncurrent Cash		
Board designated for capital acquisitions	496,583	811,214
Restricted by donors for specific operating activities	18,863	37,825
	515,446	849,039
Capital Assets, Net	1,409,794	1,567,420
Subscription Assets, Net	443,317	723,306
Total assets	$ 6,531,070	$ 6,712,870

See Notes to Financial Statements

	2023	2022 (As Restated)
Liabilities and Net Position		
Current Liabilities		
Current portion of subscription liability	$ 287,766	$ 276,543
Accounts payable	95,764	95,511
Accrued salaries and wages	202,940	195,544
Accrued vacation	245,309	205,957
Other accrued expenses	164,607	164,020
Estimated amounts due to third-party payers	141,095	-
Total current liabilities	1,137,481	937,575
Subscription Liability	173,227	460,993
Total liabilities	1,310,708	1,398,568
Net Position		
Net investment in capital assets	1,392,118	1,553,190
Restricted - expendable for Specific operating activities	18,863	37,825
Unrestricted	3,809,381	3,723,287
Total net position	5,220,362	5,314,302
Total liabilities and net position	$ 6,531,070	$ 6,712,870

Lane County Hospital
A Component Unit of Lane County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2023 - $221,233; 2022 - $145,500	$ 6,393,404	$ 6,965,634
Other	434,327	426,066
Total operating revenues	6,827,731	7,391,700
Operating Expenses		
Salaries and wages	3,480,756	3,463,298
Employee benefits	951,113	908,188
Supplies and other	2,624,891	3,060,745
Depreciation	300,114	288,022
Amortization	279,989	279,989
Total operating expenses	7,636,863	8,000,242
Operating Loss	(809,132)	(608,542)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Lane County	632,617	605,165
Interest income	80,379	17,107
Interest expense	(23,457)	(35,154)
Gain on sale of land held for investment	-	195,224
Noncapital grants and gifts	25,653	288,803
Provider Relief Funds (*CARES Act*)	-	70,719
Total nonoperating revenues	715,192	1,141,864
Increase (Decrease) in Net Position	(93,940)	533,322
Net Position, Beginning of Year	5,314,302	4,780,980
Net Position, End of Year	$ 5,220,362	$ 5,314,302

Lane County Hospital
A Component Unit of Lane County, Kansas
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients and third-party payers	$ 6,687,985	$ 6,705,624
Payments to suppliers	(3,453,497)	(3,971,572)
Payments to and on behalf of employees	(3,433,421)	(3,420,159)
Other receipts, net	434,327	355,347
Net cash provided by (used in) operating activities	235,394	(330,760)
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Lane County	632,617	605,165
Noncapital grants and gifts	25,653	288,803
Provider Relief Funds (*CARES Act*)	-	70,719
Net cash provided by noncapital financing activities	658,270	964,687
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	-	(25,051)
Interest payments on long-term debt	-	(913)
Purchases of capital assets	(152,688)	(159,305)
Principal paid on subscription liability	(276,543)	(265,759)
Interest paid on subscription liability	(23,457)	(34,241)
Net cash used in capital and related financing activities	(452,688)	(485,269)
Cash Flows From Investing Activities		
Purchase of investments	(775,666)	(686,738)
Interest income	80,379	17,107
Proceeds from sale of land held for investment	-	340,604
Net cash used in investing activities	(695,287)	(329,027)
Decrease in Cash	(254,311)	(180,369)
Cash, Beginning of Year	1,921,630	2,101,999
Cash, End of Year	$ 1,667,319	$ 1,921,630
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 1,151,873	$ 1,072,591
Cash in noncurrent cash	515,446	849,039
Total cash	$ 1,667,319	$ 1,921,630

Lane County Hospital
A Component Unit of Lane County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (809,132)	$ (608,542)
Depreciation	300,114	288,022
Amortization	279,989	279,989
Loss on disposal of capital assets	10,200	-
Provision for uncollectible accounts	221,233	145,500
Changes in operating assets and liabilities		
Patient accounts receivable	(614,747)	726,490
Estimated amounts due from and to third-party payers	688,095	(1,132,000)
Supplies	40,958	(60,907)
Prepaid expenses and other	71,096	76,569
Accounts payable and accrued expenses	47,588	24,838
Unearned revenue	-	(70,719)
Net cash provided by (used in) operating activities	$ 235,394	$ (330,760)

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

Nature of Operations and Reporting Entity

Lane County Hospital (Hospital) is an acute care hospital located in Dighton, Kansas. The Hospital is a component unit of Lane County (County) and is governed by an appointed Board of Trustees (Board). The Hospital provides inpatient, outpatient and emergency care services as well as long-term care and clinic services to patients in the Lane County area.

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. There are no cash equivalents for the years ended December 31, 2023 and 2022.

Patient Accounts Receivable

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

Supplies

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

Investments and Investment Income

Investments in U.S. Treasury obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost.

Investment income includes interest income and realized gains and losses on investments carried at other than fair value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

The following estimated useful lives are being used by the Hospital:

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

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at, and certain prepayments made 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 assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital and Subscription Asset Impairment

The Hospital evaluates capital and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or subscription asset has occurred. If a capital or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Compensated Absences

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

Risk Management

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

Workers' compensation coverage is provided through a fund managed by the Kansas Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

Net Position

Net position of the Hospital is classified in three components on its balance sheets.

- Net investment in capital assets consists of capital and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

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

Charity Care

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

Noncapital Appropriations – Lane County

The Hospital received approximately 8% and 7% in 2023 and 2022, respectively, of its financial support from Lane County property tax levy, sales taxes and miscellaneous appropriations. 100% of tax support is used for operations.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Sales tax revenue is recognized based on sales tax collected by the County's retailers in the Hospital's accounting period.

Provider Relief Funds (CARES Act)

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

Income Taxes

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

Note 2. Deposits and Investments

Deposits

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

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

At December 31, 2023 and 2022, respectively, $1,436,492 and $1,721,132 of the Hospital's bank balances of $1,686,492 and $1,971,132 were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	$ 1,436,492	$ 1,721,132

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At December 31, 2023 and 2022, the Hospital had $1,462,404 and $686,738, respectively, of investments in U.S. Treasury obligations with a maturity date of less than one year.

Summary of Carrying Values

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

	2023	2022
Carrying value		
Deposits	$ 1,667,119	$ 1,921,430
Petty cash	200	200
Investments in U.S. Treasury obligations	1,462,404	686,738
	$ 3,129,723	$ 2,608,368
Included in the following balance sheet captions		
Cash	$ 1,151,873	$ 1,072,591
Short-term investments	1,462,404	686,738
Board designated for capital acquisitions	496,583	811,214
Restricted by donors for specific operating activities	18,863	37,825
	$ 3,129,723	$ 2,608,368

Note 3. Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	2023	2022
Medicare	$ 795,564	$ 353,831
Medicaid	34,203	23,095
Blue Cross	58,357	68,715
Other third-party payers	39,629	65,559
Self-pay	407,914	402,838
	1,335,667	914,038
Less allowance for uncollectible accounts	(252,770)	(224,655)
	$ 1,082,897	$ 689,383

Note 4. Capital and Subscription Assets

Capital assets activity for the years ended December 31 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 31,968	$ -	$ -	$ -	$ 31,968
Land improvements	64,632	37,592	(12,000)	-	90,224
Buildings	3,189,771	-	-	-	3,189,771
Fixed equipment	900,453	-	-	-	900,453
Major moveable equipment	1,556,480	115,096	-	-	1,671,576
	5,743,304	152,688	(12,000)	-	5,883,992
Less accumulated depreciation					
Land improvements	43,336	4,170	(1,800)	-	45,706
Buildings	2,500,463	62,523	-	-	2,562,986
Fixed equipment	701,854	45,271	-	-	747,125
Major moveable equipment	930,231	188,150	-	-	1,118,381
	4,175,884	300,114	(1,800)	-	4,474,198
Capital Assets, Net	$ 1,567,420	$ (147,426)	$ (10,200)	$ -	$ 1,409,794

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 31,968	$ -	$ -	$ -	$ 31,968
Land improvements	64,632	-	-	-	64,632
Buildings	3,189,771	-	-	-	3,189,771
Fixed equipment	891,117	35,955	(26,619)	-	900,453
Major moveable equipment	1,469,630	123,350	(36,500)	-	1,556,480
	5,647,118	159,305	(63,119)	-	5,743,304
Less accumulated depreciation					
Land improvements	39,243	4,093	-	-	43,336
Buildings	2,437,940	62,523	-	-	2,500,463
Fixed equipment	683,373	45,100	(26,619)	-	701,854
Major moveable equipment	790,425	176,306	(36,500)	-	930,231
	3,950,981	288,022	(63,119)	-	4,175,884
Capital Assets, Net	$ 1,696,137	$ (128,717)	$ -	$ -	$ 1,567,420

Subscription assets activity for the years ended December 31 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,003,295	$ -	$ -	$ -	$ 1,003,295
Less accumulated amortization Subscription IT assets	279,989	279,989	-	-	559,978
Subscription Assets, Net	$ 723,306	$ (279,989)	$ -	$ -	$ 443,317

	2022 - *Restated*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,003,295	$ -	$ -	$ -	$ 1,003,295
Less accumulated amortization Subscription IT assets	-	279,989	-	-	279,989
Subscription Assets, Net	$ 1,003,295	$ (279,989)	$ -	$ -	$ 723,306

Note 5. Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31:

	2023					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Subscription liabilities	$ 737,536	$ -	$ 276,543	$ 460,993	$ 287,766	$ 173,227
	$ 737,536	$ -	$ 276,543	$ 460,993	$ 287,766	$ 173,227

	2022 - *Restated*					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Subscription liabilities	$ 1,003,295	$ -	$ 265,759	$ 737,536	$ 276,543	$ 460,993
Financed purchase obligations	25,051	-	25,051	-	-	-
	$ 1,028,346	$ -	$ 290,810	$ 737,536	$ 276,543	$ 460,993

Subscription Liabilities

The Hospital has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2025. The subscription requires monthly payments of approximately $25,000.

The following is a schedule by year of payments under the SBITAs as of December 31, 2023:

Year Ending December 31	Total to Be Paid	Principal	Interest
2024	$ 300,000	$ 287,766	$ 12,234
2025	175,000	173,227	1,773
	$ 567,740	$ 460,993	$ 106,747

Note 6. Professional Liability Coverage and Claims

The Hospital purchases professional liability insurance under a claims-made policy with a fixed premium which provides $500,000 and $1,000,000 of coverage for each medical incident and $1,500,000 and $3,000,000 of aggregate coverage for the policy years ending December 31, 2023 and 2022, respectively. The policies only cover claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for the policy years ending December 31, 2023 and 2022.

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

Note 7. Net Patient Service Revenue

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

Medicare. The Hospital is recognized as a Critical Access Hospital (CAH). Under CAH rules, inpatient acute care and skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules and cost reimbursement methodologies, subject to certain limitations. The Hospital is reimbursed for most services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future. Services rendered for long-term care facility residents are reimbursed at a prospective rate, with annual cost reports submitted to the Medicaid program. Effective July 1, 2016, rates are computed using an average of the three most recent filed calendar cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 85% and 86% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined case rates and discounts from established charges.

Note 8. 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $415,258 and $396,200 for the years ending December 31, 2023 and 2022, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of $323,709 and $379,035 for the years ending December 31, 2023 and 2022, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 9. Pension Plans

The Hospital maintains a defined contribution plan (401(a) plan) for all eligible employees. Eligibility is established for all employees who are at least 18 years of age and have completed one year of service. Employer and mandated employee contributions are computed at the rate of 2% of annual compensation for all employees. The Hospital also makes supplemental contributions up to an additional 4% of the annual compensation that eligible employees voluntarily defers into the additional defined contribution plan as described below. Benefits are funded by a money purchase annuity with an insurance company. The plan is funded for past service on an installment basis over the remaining duration of employment from the effective date of the plan to the employee's normal retirement date. Contributions actually made by plan members and the Hospital aggregated $154,278 and $154,278 during 2023 and $134,056 and $134,056 during 2022, respectively. Benefits start vesting immediately with 100% vesting after five years of service. In case of death or disability, all funds contributed by the Hospital are 100% vested. In the case of termination of an employee prior to retirement, all funds contributed by the Hospital which are not vested will be returned to the Hospital. The Hospital does not control the plan assets.

The Hospital provides one additional defined contribution plan (457 plan). The Hospital does not make contributions to the 457 plan. Contributions made by plan members totaled $28,955 and $52,393 during 2023 and 2022, respectively. The plan year begins on January 1 and ends December 31. The Hospital does not control the plan assets.

Note 10. Management/Services Agreement

The Board has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including management, data processing and accounting services. The terms of the agreements vary from one to seven years and can be canceled with 60 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Hospital for the years ended December 31, 2023 and 2022, were $533,877 and $536,270, respectively. There were no amounts due to GPHA at December 31, 2023 and 2022, respectively.

Note 11. GPHA Employee Benefits Trust

In response to amendments to Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefits Plan (the Plan) for its member organizations and their participating employees. The Hospital is a member organization in the Trust and substantially all of the Hospital's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No insurance assessments were necessary for 2023 and 2022.

Note 12. COVID-19 Pandemic & *CARES Act* Funding

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

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

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

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

Provider Relief Fund

During the years ended December 31, 2023 and 2022, the Hospital received $0 and $0, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Hospital accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2023 and 2022, the Hospital recognized $0 and $70,719, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position.

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

Other COVID-19 Funding

During the years ended December 31, 2023 and 2022, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received $0 and $257,367 during 2023 and 2022, respectively, related to this grant. The Hospital recognized $0 and $257,367 of revenue during 2023 and 2022, respectively, related to this grant. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 13. Adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*

Effective January 1, 2023, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for information technology subscriptions by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for subscriptions that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. As a result, the Hospital was required to retroactively restate December 31, 2022, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Subscription assets, net	$ 723,306	$ -	$ 723,306
Total assets	6,712,870	5,989,564	723,306
Current portion of subscription liability	276,543	-	276,543
Total current liabilities	937,575	661,032	276,543
Subscription liability	460,993	-	460,993
Total liabilities	1,398,568	661,032	737,536
Net position - net investment in capital assets	1,553,190	1,567,420	(14,230)
Total net position	5,314,302	5,328,532	(14,230)
Total liabilities and net position	6,712,870	5,989,564	723,306
Statements of Revenues, Expenses and Changes in Net Position			
Supplies and other	3,060,745	3,360,745	(300,000)
Amortization	279,989	-	279,989
Total operating expenses	8,000,242	8,020,253	(20,011)
Operating loss	(608,542)	(628,553)	20,011
Interest expense	(35,154)	(913)	(34,241)
Total nonoperating revenues	1,141,864	1,176,105	(34,241)
Increase (decrease) in net position	533,322	547,552	(14,230)
Net position, end of year	5,314,302	5,328,532	(14,230)
Statements of Cash Flows			
Payments to suppliers	(3,971,572)	(4,271,572)	300,000
Net cash provided by (used in) operating activities	(330,760)	(630,760)	300,000
Principal paid on subscription liability	(265,759)	-	(265,759)
Interest paid on subscription liability	(34,241)	-	(34,241)
Net cash used in capital and related financing activities	(485,269)	(185,269)	(300,000)
Operating loss	(608,542)	(628,553)	20,011
Amortization	279,989	-	279,989
Net cash provided by (used in) operating activities	(330,760)	(630,760)	300,000