HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

d/b/a CALDWELL REGIONAL MEDICAL CENTER

FINANCIAL STATEMENTS

and

ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022

GBN, P.A.
Certified Public Accountants

CONTENTS

Page

Independent auditor's report 1

Management's discussion and analysis 3

Financial statements:
- Balance sheets 8
- Statements of revenues, expenses, and changes in net position 10
- Statements of cash flows 11
- Notes to financial statements 13

Required supplementary information:
- Schedule of the Hospital District's proportionate share of the net pension liability – Last Ten Years 37
- Schedule of Hospital District's contributions – Last Ten Years 37
- Schedule of changes in the Hospital District's net OPEB liability and related ratios – Last Ten Years 38

Supplementary information:
- Schedule of revenues, expenditures, and changes in fund balances – Budget and actual – Budgetary basis – Operations and maintenance fund 39
- Schedule of revenues, expenditures, and changes in fund balances – Budget and actual – Budgetary basis – Employee benefits fund 40
- Schedule of patient service revenue 41
- Schedule of operating expenses by functional division 42

GBN, P.A.
Certified Public Accountants
Business Consultants
Tax Advisors

12001 E. 13th St. North • Wichita, Kansas 67206 • Telephone (316) 262-6277 • Fax (316) 265-6150

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hospital District No. 1,
Sumner County, Kansas
d/b/a Caldwell Regional Medical
Center
Caldwell, Kansas

Opinions

We have audited the accompanying financial statements of Hospital District No. 1, Sumner County, Kansas, d/b/a Caldwell Regional Medical Center as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital'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 Hospital District No. 1, Sumner County, Kansas, d/b/a Caldwell Regional Medical Center as of December 31, 2023 and 2022, and the changes in financial position, and cash flows thereof for the year 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

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 the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on page 37 and 38 and the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were made for the purpose of forming opinions on the basic financial statements taken as a whole. The supplementary information on pages 39 through 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

GBN, P.A.

Wichita, Kansas
October 31, 2024

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

d/b/a CALDWELL REGIONAL MEDICAL CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hospital District No. 1, Sumner County, Kansas, d/b/a Caldwell Regional Medical Center (Hospital District's) financial performance provides an overview of the Hospital District's financial activities for the fiscal years ended December 31, 2023 and 2022. Please read it in conjunction with the Hospital District's financial statements, which begin on page 8.

Financial Highlights

- The Hospital District's net position decreased in 2023 by $1,44,724 or (26.39)% compared to an increase in 2022 by $6,517 or 0.16%. The significant decrease from 2022 to 2023 was primarily due to substantial increases in depreciation and interest expenses related to the new facility being placed in service in early 2023. The significant decrease in 2022 compared to 2021 was primarily related to substantial grants received in 2021 from various sources to address issues related to the global COVID-19 pandemic.

- The Hospital District reported an operating loss in both 2023 ($2,018,484) and 2022 ($1,612,393). The operating loss in 2022 increased by $188,679 or 13.25% over the loss reported in 2021. The operating loss in 2023 increased by $406,091 or 25.19% over 2022. The change between 2022 and 2023 was primarily due to significant changes in operating revenues and expenses as a result of moving to the new facility as noted in the paragraph above.

- Salaries and employee benefits increased by $911,280 or 22.04% from 2022 to 2023. This was due mainly to substantial increases in service volumes as noted earlier.

- Net nonoperating revenues/expenses decreased by $645,150 or 39.85% in 2023 compared to 2022. Net nonoperating revenues/expenses decreased in 2022 by $2,084,185 or 56.28% compared to 2021. The significant change between 2023 and 2022 was primarily due to increases in depreciation and interest expenses relating to the new facility as mentioned above. The significant change between 2022 and 2021 were primarily related to changes costs and grant revenues as a result of the effects of the COVID-19 pandemic.

Financial Statements

The Hospital District's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net position, financial position and cash flows in a manner similar to private-sector businesses. The financial statements are prepared on an accrual basis of accounting which recognizes revenue when earned and expenses when incurred. The basic financial statements include a *balance sheet*, *statement of revenues, expenses and change in net position*, and *statement of cash flows*, followed by notes to the financial statements and schedules of certain additional information.

The *balance sheet* presents information on the Hospital District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Hospital District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the Hospital District's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the Hospital District's cash receipts and cash payments during the year.

Financial Position

The information below summarizes the Hospital District's net position as of December 31, 2023, 2022 and 2021.

	2023	2022	2021
Assets:			
Current assets	$ 7,436,567	$ 5,982,525	$ 5,749,851
Capital assets and right-of-use lease assets, net	19,222,282	16,258,378	2,836,036
Other noncurrent assets	3,352	3,337	3,330
Total assets	26,662,201	22,244,240	8,589,217
Deferred outflows of resources	1,370,000	1,207,097	1,120,859
Total assets and deferred outflows of resources	$ 28,032,201	$ 23,451,337	$ 9,710,076
Liabilities:			
Non-current liabilities	$ 22,381,389	$ 2,490,380	$ 3,154,130
Other liabilities	1,526,405	15,715,625	1,013,289
Total liabilities	23,907,794	18,206,005	4,167,419
Deferred inflows of resources	1,209,707	1,285,908	1,589,750
Total liabilities and deferred inflows of resources	$ 25,117,501	$ 19,491,913	$ 5,757,169
Net position:			
Invested in capital assets, net	$ (768,519)	$ 1,177,224	$ 1,402,069
Restricted	2,998	2,994	2,990
Unrestricted	3,680,221	2,779,206	2,547,848
Total net position	$ 2,914,700	$ 3,959,424	$ 3,952,907

Beginning early in 2020, the Hospital District, along with all healthcare providers in the United States of America (U.S.), was significantly impacted by the worldwide coronavirus pandemic (COVID-19). Patient volumes and related revenues were negatively impacted during the early months of the pandemic as elective procedures were suspended and citizens were concerned about visiting healthcare facilities. In response, the federal, state, and local governments as well as various non-profit organizations, provided substantial funding to assist healthcare providers in continuing operations during that uncertain period. The various programs were substantially ended in 2023.

Recent Financial Performance

The schedule below is a summary of the Hospital District's revenues, expenses and changes in net position for the years ended December 31, 2023, 2022 and 2021.

	2023	2022	2021
Operating revenue	$ 8,179,856	$ 5,210,254	$ 5,569,583
Operating expenses:			
Salaries	3,489,394	2,880,284	3,387,802
Employee benefits	1,557,284	1,255,114	1,090,520
Supplies and other	3,602,560	2,337,682	2,224,804
Depreciation and amortization	1,549,102	349,567	290,171
Total operating expenses	10,198,340	6,822,647	6,993,297
Loss from operations	(2,018,484)	(1,612,393)	(1,423,714)
Nonoperating revenues/expenses:			
Taxes	938,847	943,594	725,231
Noncapital grants and contributions	719,207	793,581	2,959,832
Interest expense	(434,770)	(186,287)	(19,568)
Loss on disposal of assets	(337,098)	–	–
Other, net	87,574	(118,265)	18,032
Total nonoperating revenues/expenses	973,760	1,618,910	3,703,095
Increase (decrease) in net position	$ (1,044,724)	$ 6,517	$ 2,279,381

The first component of the overall change in the Hospital District's net position is its operating income (loss)—generally, the difference between net patient service revenue and the expenses incurred to perform those services. In each of the past three years, the Hospital District has reported an operating loss. This is consistent with the Hospital District's operating history. The operating loss in 2023 increased by $406,091 or 25.19% higher than the operating loss reported in 2022. The operating loss in 2022 increased by $188,679 or 13.25% higher than the operating loss reported in 2021.

Gross patient service revenue, that is, charges to patients before reduction for contractual adjustments, charity care and the provision for bad debts, increased by $3,375,693 or 4.49% in 2023 and increased by $268,323 or 4.42% in 2022. The substantial increase in 2023 was due to increases in volume and services as a result of moving to the newly constructed facility in early 2023.

The Hospital District recognizes contractual adjustments, charity care, and the provision for bad debts against gross patient service revenue to arrive at net patient service revenue. Contractual adjustments represent the difference between patient charges and the amounts collected in accordance with government regulations concerning the calculation of healthcare payments for Medicare and Medicaid beneficiaries and for adjustments for various contractual agreements with commercial insurance carriers. The contractual adjustments, charity care, and provision for bad debts reduced net patient service revenue by $1,837,662 in 2023 and by $1,221,635 in 2022.

Operating expenses increased by 49.48% from 2022 to 2023 and decreased by 2.44% from 2021 to 2022. The increase in operating expenses in 2023 were as a result of increases in the volume of services and related expenses and depreciation and debt service expenses relating to the opening of the new facility.

Net nonoperating revenues consist primarily of property taxes levied by the Hospital District, investment earnings, grants, contributions, net of interest expense on long-term debt and loss on disposal of assets related to the old facility. In 2020 and 2021, the Hospital District recognized significant grant revenues from various sources related to the COVID-19 pandemic. In 2022, the grant revenues were reduced significantly as the COVID-19 pandemic programs from federal, state, and local resources were ended or substantially reduced.

Capital Assets and Right-of-use Leases Assets

At the end of 2023, the Hospital District had $(768,519) invested in capital assets and right-of-use lease assets, net of accumulated depreciation/amortization and debt outstanding for the acquisition related to the acquisition of these assets, as detailed in Notes 5 and 6 to the financial statements. During 2020 the Hospital District began a project to construct a new hospital and medical clinic facility. In January 2023, the project was essentially complete and operations were moved from the old facility to the newly constructed facility. The construction costs related to the new facility was approximately $19,600,000.

Debt

The Hospital leases certain property and equipment under lease agreements of $121,801 to finance the acquisition of various equipment. In addition, to finance the construction project for the new hospital and medical clinic mentioned above, the Hospital District has revenue bonds outstanding of $19,869,000 at December 31, 2023. These bonds have annual principal and interest payments through the year ending in 2053.

Other Economic Factors

The estimated assessed valuation for the Hospital District for 2023 (2024 fiscal year) is $25,026,376 which is an increase of $1,007,040 or 4.19% from the assessed valuation for 2022 (2023 fiscal year) of $24,019,336.

Issues Facing the Hospital District

There are issues facing the Hospital District that could result in material changes in its financial position in the long term. Among these issues are:

- Issues related to COVID-19 pandemic. While the pandemic was declared to have ended in 2023 certain costs related to a potential return of a future pandemic remain in place. The various healthcare related government agencies and providers are maintaining certain procedures and programs to assist in mitigating the ramifications of a future pandemic.

- New hospital facility. In 2020 management of the Hospital District began a project for the construction of a new hospital and medical clinic facility to replace the old facility that began operations in 1967. The facility was substantially complete and was placed in service in early 2023. With the opening of the new facility, the Hospital District has incurred a significant increase in the volume of services. Management continues to monitor the service levels and react to related changes in operations.

- Risks related to Medicare and Medicaid reimbursement. A significant portion of the Hospital District's revenues are derived from the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and by the Medicaid program, funded jointly by the federal government and the states, to provide medical assistance to certain qualifying individuals and families. The funding of these programs by the federal and state governments face increasing pressure due to the significant increases in the costs of providing healthcare services in recent years.

- Employment and labor issues. The Hospital District is a major employer within the community, employing a complex mix of professional, technical, clerical, maintenance, dietary, and other workers. Risks include personal tort actions, work-related injuries and exposure to hazardous materials. A relative shortage of nursing and other medical professional/technical employees, which has been exacerbated by the COVID-19 pandemic, is an issue that is causing salary and benefits costs to increase at significant rates.

- Technology and services. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, and outpatient healthcare delivery may reduce utilization and revenues for the Hospital District in the future. Technological advances continue to accelerate the need to acquire sophisticated and expensive equipment and services for diagnosis and treatment of illnesses and diseases.

- Increasing numbers of uninsured and underinsured patients. Due to the significant increases and high cost of commercial healthcare insurance premiums in recent years, increasing numbers of patients of the Hospital District are finding it more and more difficult to obtain or maintain adequate health insurance coverage. This trend could increase the levels of uncompensated care provided by the Hospital District.

Contacting The Hospital District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital District's finances and to show the Hospital District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital District Administration Department, at Sumner County Hospital District No. 1, d/b/a Caldwell Regional Medical Center, 761 W. 175th St. S, Caldwell, Kansas, 67022.

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

d/b/a CALDWELL REGIONAL MEDICAL CENTER

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary Government		Component Unit	
	2023	2022	2023	2022
Current assets:				
Cash and cash equivalents (Notes 1 and 3)	$ 3,356,894	$ 2,878,209	$ 352,588	$ 353,622
Cash – Restricted	658,508	332,824	–	–
Accounts receivable, net of allowance for doubtful accounts of $503,540 in 2023 and $503,540 in 2022 (Notes 1 and 8)	2,122,311	1,005,152	–	–
Uncollected current property taxes receivable (Note 1)	913,607	893,122	–	–
Inventories (Note 1)	338,000	290,812	–	–
Estimated third-party payor settlements (Note 2)	39,674	388,637	–	–
Prepaid expenses and other	7,573	193,769	–	–
Total current assets	7,436,567	5,982,525	352,588	353,622
Noncurrent cash and investments:				
Board designated assets (Note 3)	3,352	3,337	–	–
Other investments (Note 3)	–	–	35,777	59,153
Total noncurrent cash and investments	3,352	3,337	35,777	59,153
Property and equipment, at cost (Notes 1, 5, and 6):				
Land	119,989	5,085	5,000	5,000
Land improvements	1,187,030	60,500	3,405	3,405
Building	16,956,098	1,367,811	234,064	234,064
Fixed equipment	926,316	894,291	–	–
Movable equipment	2,974,084	3,944,339	–	–
Construction in progress	–	14,981,979	–	–
Total property and equipment	22,163,516	21,254,005	242,469	242,469
Less accumulated depreciation	3,089,721	5,263,509	216,546	203,312
Net property and equipment	19,073,796	16,010,496	25,923	39,157
Right-of-use lease assets, net	148,486	247,882	–	–
Total noncurrent assets	19,225,634	16,261,715	61,700	98,310
Total assets	26,662,201	22,244,240	414,288	451,932
Deferred outflows of resources:				
Pension (Notes 1 and 7)	1,348,992	1,200,599	–	–
Other post employment benefits (Notes 1 and 10)	21,008	6,498	–	–
Total deferred outflows of resources	1,370,000	1,207,097	–	–
Total assets and deferred outflows of resources	$ 28,032,201	$ 23,451,337	$ 414,288	$ 451,932

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Primary Government		Component Unit	
	2023	2022	2023	2022
Current liabilities:				
Accounts payable	$ 372,232	$ 190,638	$ –	$ –
Salaries and wages payable	164,733	126,402	–	–
Payroll taxes payable	5,764	4,564	–	–
Interest payable	42,868	–		
Refundable advances (Note 12)	257,377	326,659	–	–
Current portion of compensated absences payable (Notes 1 and 5)	121,190	90,869	–	–
Current portion of right-of-use lease liabilities	91,345	99,039	–	–
Current portion of long-term debt (Note 5)	470,896	14,877,454	–	–
Total current liabilities	1,526,405	15,715,625	–	–
Non-current liabilities:				
Right-of-use lease liabilities, net of current portion	30,456	104,664	–	–
Long-term debt (Note 5)	19,398,104	–	–	–
Compensated absences payable (Notes 1 and 5)	38,270	28,696	–	–
Net pension liability (Notes 1 and 7)	2,885,920	2,324,978	–	–
Net other postemployment benefits liability (Notes 1 and 10)	28,639	32,042	–	–
Total non-current liabilities	22,381,389	2,490,380	–	–
Total liabilities	23,907,794	18,206,005	–	–
Deferred inflows of resources:				
Deferred property taxes receivable (Note 1)	900,560	893,122	–	–
Pension plan (Notes 1 and 7)	272,429	362,546	–	–
Other postemployment benefits (Notes 1 and 10)	36,718	30,240	–	–
Total deferred inflows of resources	1,209,707	1,285,908	–	–
Net position (Notes 1 and 4):				
Net investment in capital assets and right-of-use lease assets	(768,519)	1,177,224	25,923	39,157
Restricted – expendable for specific operating activities	2,998	2,994	–	–
Unrestricted	3,680,221	2,779,206	388,365	412,775
Total net position	2,914,700	3,959,424	414,288	451,932
Total liabilities, deferred inflows of resource and net position	$28,032,201	$23,451,337	$ 414,288	$ 451,932

The accompanying notes are an integral part of the financial statements.

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

d/b/a CALDWELL REGIONAL MEDICAL CENTER

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2023 AND 2022

	Primary Government		Component Unit	
	2023	2022	2023	2022
Operating revenues:				
Net patient service revenue	$ 8,092,356	$5,116,107	$ –	$ –
Ambulance subsidy	87,500	87,500	–	–
Grants and contributions	–	–	211,799	351,274
Rent income and other	–	6,647	4,909	7,800
Total operating revenues	8,179,856	5,210,254	216,708	359,074
Operating expenses:				
Salaries	3,489,394	2,880,284	–	–
Employee benefits	1,557,284	1,255,114	–	–
Supplies and other	3,602,560	2,337,682	253,040	284,830
Depreciation and amortization	1,549,102	349,567	13,234	14,627
Total operating expenses	10,198,340	6,822,647	266,274	299,457
Operating income (loss)	(2,018,484)	(1,612,393)	(49,566)	59,617
Non-operating revenues (expenses):				
Tax revenues	938,847	943,594	–	–
Investment return	21,536	5,685	11,922	(6,858)
Interest expense	(434,770)	(186,287)	–	–
Noncapital grants and contributions	253,695	295,500	–	–
COVID-19 grants	465,512	498,081	–	–
Loss on disposal of assets	(337,098)	–	–	–
Other	66,038	62,337	–	–
Total non-operating revenues (expenses)	973,760	1,618,910	11,922	(6,858)
Increase (decrease) in net position	(1,044,724)	6,517	(37,644)	52,759
Net position at beginning of year	3,959,424	3,952,907	451,932	399,173
Net position at end of year	$ 2,914,700	$3,959,424	$ 414,288	$ 451,932

The accompanying notes are an integral part of the financial statements.

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

d/b/a CALDWELL REGIONAL MEDICAL CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMER 31, 2023 AND 2022

	Primary Government		Component Unit	
	2023	2022	2023	2022
Cash flows from operating activities:				
Receipts from and on behalf of patients	$ 7,324,160	$5,210,784	$ –	$ –
Payments to suppliers and contractors	(3,285,989)	(2,552,056)	(88,185)	(70,830)
Payments to/on behalf of employees	(4,646,078)	(3,951,584)	–	–
Other receipts and payments, net	87,500	94,147	51,853	145,074
Net cash flows provided (used) by operating activities	(520,407)	(1,198,709)	(36,332)	74,244
Cash flows from noncapital financing activities:				
Property taxes	925,800	943,594	–	–
Noncapital grants and contributions	253,695	295,500	–	–
Refundable advances	396,230	335,530	–	–
Other	66,038	62,275	–	–
Net cash flows provided by noncapital financing activities	1,641,763	1,636,899	–	–
Cash flows from capital and related financing activities:				
Principal payments on right-of-use lease liabilities	(100,441)	(134,519)	–	–
Interest paid on right-of-use lease liabilities	(6,196)	(9,870)	–	–
Proceeds from issuance of right-of-use liabilities	18,539	–	–	–
Proceeds from issuance of long-term debt	21,837,000	–	–	–
Principal and interest payments on long-term debt	(21,795,715)	–	–	–
Purchases of capital assets	(291,695)	(150,109)	–	–
Net cash flows used by capital and related financing activities	(338,508)	(294,498)	–	–
Cash flows from investing activities:				
Changes in board-designated assets, net	(15)	(7)	–	–
Transfer to investments	–	–	27,940	–
Investment income	21,536	5,685	7,358	2,527
Net cash flows provided by investing activities	21,521	5,678	35,298	2,527
Net increase (decrease) in cash and cash equivalents	804,369	149,370	(1,034)	76,771
Cash and cash equivalents at beginning of year	3,211,033	3,061,663	353,622	276,851
Cash and cash equivalents at end of year	$ 4,015,402	$3,211,033	$ 352,588	$ 353,622

	Primary Government		Component Unit	
	2023	2022	2023	2022
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating income (loss)	$ (2,018,484)	$ (1,612,393)	$ (49,566)	$ 59,617
Adjustments to reconcile operating loss to net cash flows used in operating activities:				
Depreciation and amortization	1,549,102	349,567	13,234	14,627
Provision for doubtful accounts	464,931	397,203	–	–
Pension and OPEB	322,374	153,828	–	–
Changes in operating assets and liabilities:				
Accounts receivable	(1,582,090)	(804,900)	–	–
Inventories	(47,188)	(27,966)	–	–
Estimated third-party payor settlements	348.963	502,374	–	–
Other current assets	186,196	(167,883)	–	–
Accounts payable	176,363	8,273	–	–
Compensated absences payable	38,895	(210)	–	–
Salaries and wages payable	38,331	30,196	–	–
Payroll taxes payable	1,200	(26,798)	–	–
Net cash provided (used) by operating activities	$ (520,407)	$ (1,198,709)	$ (36,332)	$ 74,244

The accompanying notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Hospital District's financial statements. The financial statements and notes are representations of the Hospital District's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and business activity

The hospital is owned by Hospital District No. 1, Sumner County, Kansas (Hospital District) and is governed by an elected Board of Trustees. The hospital provides acute care, outpatient, swing-bed and medical clinic services.

Discretely presented component unit

The component unit columns in the financial statements consist of the financial data of the Hospital District's component unit, the Caldwell Area Hospital and Health Foundation (Foundation), a tax-exempt nonprofit organization. It is reported in separate columns to emphasize that it is legally separate from the Hospital District. The Foundation is considered a component unit of the Hospital District since the purpose of the Foundation is primarily to secure and expend financial aid for the operations, maintenance, and expansion of the health care facilities and services of the Hospital District.

Accounting standards

The Hospital District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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 those estimates.

Allowance for doubtful accounts

Accounts receivable (Note 8) is presented net of an allowance for doubtful accounts. The allowance is estimated based on multiple factors including historical experience with bad debts, the aging of receivables, payor mix trends, and local economic conditions. If future actual default rates on accounts receivable in general differ from those currently anticipated, the Hospital may have to adjust its allowance for doubtful accounts, which would affect earnings in the period the adjustments are made.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include short-term certificates of deposit, money market, and interest-bearing checking accounts, excluding those investments designated by the Board of Trustees for the purchase or replacement of capital assets, with maturities of three months or less (Note 3).

Budgetary principles

The Hospital District is required by state statute to adopt annual budgets using the modified accrual basis of accounting for the operations and maintenance and employee benefits funds on or before August 25 of the preceding year. The Hospital District's Board of Trustees may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of individual funds.

Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year. Budgeted revenue and expenditure amounts represent the original budget adopted by the Hospital Board of Trustees.

The following reconciliation is presented to provide a correlation between the different bases of accounting for reporting in accordance with generally accepted accounting principles (GAAP) and for reporting on the budgetary basis:

	Operation and Maintenance Fund	Employee Benefits Fund
GAAP basis net position at December 31, 2023	$ 2,914,700	$ –
Adjustments:		
Net property and equipment	40,222	–
Net long-term debt	(470,295)	–
Net pension liability and deferred inflows/outflows	1,809,357	–
Net other postemployment benefit liability	44,349	–
Budgetary basis fund balance at December 31, 2023	$ 4,338,333	$ –

Property taxes receivable

In accordance with governing statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred inflows of resources on the balance sheet.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at cost as determined by the first-in, first-out method.

Capital assets

The Hospital District's capital assets that are $5,000 or greater, are recorded at cost at the date of acquisition. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	15 years
Buildings and fixed equipment	10-40 years
Movable equipment	5-20 years

Maintenance and repairs are charged to expense and renewals and expenditures for improvements are capitalized.

Right-of-use lease assets and liabilities

Right-of-use lease assets and liabilities consist of leased equipment with terms greater than twelve months and are recorded at present value of the lease payments over the lease term using the implicit return of the lease. Rental escalation clauses and renewal options are factored into the determination of lease payments when appropriate. The Hospital District's leases do not contain variable lease payments or residual value guarantees. Lease and non-lease components of contracts are not separated. Right-of-use lease assets are amortized on the straight-line method over the lease term. The amortization is included with depreciation and amortization on the statement of revenues, expenses, and changes in net position.

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per episode, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

Charity care

The Hospital District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy based on current poverty level guidelines. Because the Hospital District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital had qualifying charity care of $13,760 and $19,822 for the years ended December 31, 2023 and 2022, respectively, estimated by multiplying the Hospital District's cost to charge ratio by the gross uncompensated care charges associated with providing care to qualifying patients.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions

From time to time, the Hospital District receives grants and contributions from government agencies, private organizations, and individuals. Revenues from grants and contributions 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 revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. When the Hospital District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

Net position

Net position of the Hospital District is classified into three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable for specific operating activities* are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital District. *Unrestricted net position* are remaining assets less remaining liabilities that do not meet the definition of *net investment in capital assets* or *restricted.*

Operating revenues and expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Risk management

The Hospital District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three preceding years. The Hospital District also purchases professional liability insurance to cover medical malpractice claims. Management is not aware of any asserted or unasserted claims or incidents arising from services provided to patients.

Compensated absences

All full-time and part-time employees receive up to 31 days paid time off per year depending upon their length of service. Upon resignation or retirement from service with the Hospital District, employees are entitled to payment for all accrued paid time off, up to the allowable maximum. The Hospital District accrues compensated absence benefits as earned.

Taxation

The Hospital District is a political subdivision of the State of Kansas and is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

The Foundation has received a ruling from the Internal Revenue Service exempting it from federal income tax in accordance with Section 501(c)(3) of the Internal Revenue Code. The federal exemption from income tax is also recognized by state authorities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred inflows of resources/Deferred outflows of resources

In addition to assets, the balance sheets report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and is not recognized as an outflow of resources (expense/expenditure) until the future period. The Hospital District reports amounts related to pensions and other post-employment benefits (OPEB) on the balance sheets as deferred outflows of resources.

In addition to liabilities, the balance sheets report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. The Hospital District reports amounts related to pensions, other post-employment benefits, and property taxes receivable on the balance sheets as deferred inflows of resources.

Pension and other postemployment benefit (OPEB) plans

The Hospital District participates in the Kansas Public Employees Retirement System Plan (KPERS), a cost sharing multiple employer defined benefit pension plan. The Hospital District also provides long-term disability benefits to its employees through KPERS. The Hospital District uses information provided by KPERS to measure the net pension and OPEB liability, deferred outflows of resources, and deferred inflows of resources to the KPERS plan.

Adoption of accounting pronouncements

In 2022, the Hospital District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases," which revised existing standards on lease accounting and financial reporting. Comparative prior year financial statements have been adjusted to apply this standard retrospectively. No changes to prior period net position was necessary due to adoption of this standard.

Subsequent events

Subsequent events have been evaluated through October 31, 2024 which is the date the financial statements were available to be issued.

2. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

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

- **Medicare** – The Hospital District is recognized as a Critical Access Hospital (CAH) under the Medicare program. As such, inpatient acute care, skilled swing-bed and certain outpatient services rendered to program beneficiaries are paid at 101% of allowable cost subject to certain limitations. Certain other outpatient services are paid based on fee schedules. The Hospital District is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital District and reviews thereof by the Medicare administrative contractor. The Hospital District's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through December 31, 2022. Beginning in 2013, a mandatory payment reduction, known as sequestration, of 2% of program cost went into effect and under current legislation is scheduled to last until 2027. However, on March 27, 2020, the CARES Act temporarily suspended the Medicare program from the effects of the sequestration. This suspension of the 2% reduction, effective May 1, 2020, was extended several times and continued through March 31, 2022. Starting April 1, 2022 through June 30, 2022 a 1% sequestration was implemented. Effective July 1, 2022 the full sequestration percentage resumed at 2%.

- **Medicaid** – Inpatient and outpatient services rendered to program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage that is based on previously filed cost reports.

2. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS (continued)

Approximately 53% and 55% of net patient service revenue is from participation in the Medicare program for the years ended December 31, 2023 and 2022, respectively. Laws and regulations governing the Medicare program 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 District has also entered into payment agreements with certain commercial insurance carriers and other third-party payor programs. The basis for payment to the Hospital District under these agreements includes prospectively determined rates per discharge, discounts from established charges and cost reimbursement.

For uninsured patients that do not qualify for charity care, the Hospital District recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital District's uninsured patients will be unable or unwilling to pay for the services provided. The Hospital District records a significant provision for bad debts related to uninsured patients in the period the services are provided. Additionally, Medicare, Medicaid and commercial insurance programs and other gross revenue classifications include the patient responsibility amounts associated with deductibles and/or copayments. The uncollectible portions of these patient responsibility amounts are included in the provision for bad debts.

3. CASH AND INVESTMENTS

The Hospital District's cash and investments consisted of the following:

	Primary Government		Component Unit	
	2023	2022	2023	2022
Cash and cash equivalents:				
Cash on hand	$ 300	$ 300	$ –	$ –
Demand deposit accounts	550,913	578,450	–	–
Time deposit accounts	3,464,188	2,632,283	352,588	353,622
	4,015,401	3,211,033	352,588	353,622
Board designated assets:				
Time deposit account	3,352 3,352	3,337 3,337	–	–
	$ 4,018,753	$ 3,214,370	$ 352,588	$ 353,622
Other investments:				
Wichita Community Foundation	$ –	$ –	$ 35,777	$ 59,153

The board-designated assets have been designated by the Board of Trustees to be used for the replacement of capital assets or for the acquisition of additional assets. These assets can be utilized for other purposes at the discretion of the Board of Trustees.

The Foundation's investment with the Wichita Community Foundation, a non-profit organization, are kept in a trust fund. The trust places these funds in various cash and stock items and the withdrawal of principal and investment earnings are subject to the approval of the Wichita Community Foundation's Board of Directors.

Investment return consisted of the following:

3. CASH AND INVESTMENTS (continued)

	Primary Government		Component Unit	
	2023	2022	2023	2022
Interest and dividends	$ 21,536	$ 5,685	$ 8,382	$ 3,687
Net realized and unrealized gains/(losses)	–	–	3,540	(10,545)
	$ 21,536	$ 5,685	$ 11,922	$ (6,858)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital District's deposits may not be returned or the Hospital District will not be able to recover collateral securities in the possession of an outside party. The Hospital District's policy follows applicable State statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at fair value, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statures define the allowable pledged securities.

At December 31, 2023, the carrying amount of the Hospital District's deposits, which approximates their fair value, was $4,018,453 with the bank balances of such accounts being $4,043,477. Of the bank balances, $770,375 was secured by federal depository insurance and the remaining balance of $3,273,058 was secured by collateral held by the Hospital District's custodial banks in joint custody in the name of the Hospital District and its banks. The fair value of those pledged securities held by the Hospital District's custodial banks was $4,073,790 at December 31, 2023.

The remaining carrying amount of the Hospital District's cash and investments at December 31, 2023 and 2022 consisted of cash on hand of $300.

The component unit's financial assets available within one year of the balance sheet date for general expenditures included the following assets of the component unit at December 31, 2023 and 2022:

	December 31,	
	2023	2022
Cash and cash equivalents	$ 352,588	$ 353,622
Funds held by Wichita Community Foundation	35,777	59,153
	$ 388,365	$ 412,775

Investment policies

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Hospital District's investing activities are managed under the custody of the Chief Executive Officer and Board of Trustees. The Hospital District's component unit's investing activities are under the custody of the component unit's Board of Trustees. Investing is performed in accordance with investment policies adopted by the respective Boards of Trustees and in compliance with state statutes.

Applicable state statutes authorize the Hospital District to invest in (1) temporary notes or no-fund warrants issued by the Hospital District (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks, (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two

3. CASH AND INVESTMENTS (continued)

years; (6) the municipal investment pool maintained by the State Treasurer's office, and (7) trust departments of commercial banks.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Hospital District's policies provide that to the extent practicable, investments are matched with anticipated cash flows.

4. RESTRICTED NET ASSETS

Activity relating to restricted net position for the years ending December 31, 2023 and 2022 is as follows:

	Balance At December 31, 2022	Additions	Note Payable	Refundable Advances	Assets Released	Balance At December 31, 2023
Nursing scholarships	$ 2,994	$ 4	$ –	$ –	$ –	$ 2,998
Health and Human Services Provider Relief Programs (PRF) (Note 12)	–	–	–	69,282	(69,282)	–
Other	–	396,230	–	–	(396,230)	–
	$ 2,994	$ 396,234	$ –	$ 69,282	$ (465,512)	$ 2,998

	Balance At December 31, 2021	Additions	Note Payable	Refundable Advances	Assets Released	Balance At December 31, 2022
Nursing scholarships	$ 2,990	$ 4	$ –	$ –	$ –	$ 2,994
Health and Human Services Provider Relief Programs (PRF) (Note 12)	–	–	–	162,551	(162,551)	–
Other	–	335,530	–	–	(335,530)	–
	$ 2,990	$ 335,534	$ –	$ 162,551	$ (498,081)	$ 2,994

5. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES

The following is a summary of changes in long-term liabilities for the years ended December 31, 2023 and 2022:

	Balance At December 31, 2022	Additions	Reductions	Balance At December 31, 2023	Amounts Due Within One Year
Long-term debt:					
Right-of-use liabilities	$ 203,703	$ 18,539	$ 100,441	$ 121,801	$ 91,345
Hospital revenue bonds:					
Series 2023-1	–	19,869,000	–	19,869,000	470,896
Series 2023-2-A	–	1,574,400	1,574,400	–	–
Series 2023-2-B	–	393,600	393,600	–	–
Hospital revenue bond anticipation bonds, Series 2021	14,877,454	4,953,506	19,830,960	–	–
Other liabilities:					
Compensated absences payable	119,565	258,887	218,992	159,460	121,190
Total noncurrent liabilities	$ 15,200,722	$ 27,67,932	$ 22,118,393	$ 20,150,261	$ 683,431

	Balance At December 31, 2021	Additions	Reductions	Balance At December 31, 2022	Amounts Due Within One Year
Long-term debt:					
Right-of-use liabilities	$ 338,222	$ –	$ 134,519	$ 203,703	$ 99,039
Hospital revenue bond anticipation bonds, Series 2021	1,095,745	13,781,709	–	14,877,454	14,877,454
Other liabilities:					
Compensated absences payable	119,775	201,306	201,516	119,565	90,869
Total noncurrent liabilities	$ 1,553,742	$ 13,983,015	$ 336,035	$ 15,200,722	$ 15,067,362

Right-of-use-lease liabilities

The Hospital leases equipment, the terms of which expire in various years through 2028. Payments are based on the lease agreements in each specific lease. Scheduled right-of-use lease liability payments under the leases are as follows:

5. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES (continued)

Year ending December 31:	Principal	Interest	Total
2024	$ 91,345	$ 3,017	$ 94,362
2025	21,740	804	22,544
2026	3,869	399	4,268
2027	4,096	172	4,268
2028	751	5	756
	$ 121,801	$ 4,397	$ 126,198

Amortization and interest expense for leases are as follows:

	December 31, 2023	December 31, 2022
Amortization of leased assets	$ 83,811	$ 114,452
Interest on lease liabilities	6,196	9,870
	$ 90,007	$ 124,322

Hospital revenue bond anticipation bonds

In June of 2021, the Hospital Board of Trustees initiated a project to construct, equip and furnish a new hospital facility of approximately 41,000 square feet with an estimated cost of approximately $23 million.

In order to provide interim funds to temporarily finance a portion of the costs of the project, the Hospital District issued Hospital Revenue Bond Anticipation Bonds, Series 2021 ("anticipation bonds") in the amount of $21,837,000 on a draw down basis, with an interest rate at 2.47%.

Concurrent with the issuance of the anticipation bonds, the Hospital District obtained a commitment from the United States Department of Agriculture – Rural Development ("RD/USDA") to purchase hospital revenue bonds to be issued by the Hospital District totaling $21,837,000 when the project was completed in 2023. Portions of the proceeds from the issuance of the revenue bonds were used to fully retire the anticipation bonds.

6. CAPITAL ASSETS AND RIGHT-OF-USE LEASE ASSETS

Capital asset and right-of-use lease assets additions, disposals, and balances for the years ended December 31, 2023 and 2022 were as follows:

	Balance At December 31, 2022	Additions and Transfers In	Disposals and Transfers Out	Balance At December 31, 2023
Hospital				
Capital assets not being depreciated:				
Land	$ 5,085	$ 114,904	$ –	$ 119,989
Construction in progress	14,981,979	4,617,624	19,599,603	–
Total capital assets not being depreciated	14,987,064	4,732,528	19,599,603	119,989

6. CAPITAL ASSETS AND RIGHT-OF-USE LEASE ASSETS (continued)

	Balance At December 31, 2022	Additions and Transfers In	Disposals and Transfers Out	Balance At December 31, 2023
Capital assets being depreciated:				
Land improvements	60,500	1,187,030	60,500	1,187,030
Buildings	1,367,811	16,835,733	1,247,446	16,956,098
Fixed equipment	894,291	926,316	894,291	926,316
Movable equipment	3,372,243	1,491,949	1,890,108	2,974,085
Total capital assets being depreciated	5,694,845	20,441,028	4,092,345	22,043,528
Less accumulated depreciation for:				
Land improvements	60,347	101,389	60,500	101,236
Buildings	1,140,610	972,520	1,077,424	1,035,706
Fixed equipment	743,741	134,236	746,102	131,875
Movable equipment	3,318,811	373,314	1,871,221	1,820,904
Total accumulated depreciation	5,263,509	1,581,459	3,755,247	3,089,721
Total capital assets being depreciated, net	431,336	18,859,570	337,098	18,953,807
Total capital assets, net	$ 15,418,400	$ 23,592,098	$ 19,936,701	$ 19,073,796
Right-of-use lease assets:				
Equipment	$ 592,096	$ 18,539	$ 257,754	$ 352,881
Less accumulated amortization	344,714	83,811	224,130	204,395
Right-of-use assets, net	$ 247,882	$ (65,272)	$ 33,624	$ 148,486

6. CAPITAL ASSETS AND RIGHT-OF-USE LEASE ASSETS (continued)

	Balance At December 31, 2021	Additions and Transfers In	Disposals and Transfers Out	Balance At December 31, 2022
Hospital				
Capital assets not being depreciated:				
Land	$ 5,085	$ –	$ –	$ 5,085
Construction in progress	1,335,345	13,646,634	–	14,981,979
Total capital assets not being depreciated	1,340,430	13,646,634	–	14,987,064
Capital assets being depreciated:				
Land improvements	60,500	–	–	60,500
Buildings	1,367,811	–	–	1,367,811
Fixed equipment	894,291	–	–	894,291
Movable equipment	3,227,468	144,775	–	3,372,243
Total capital assets being depreciated	$ 5,550,070	$ 144,775	$ –	$ 5,694,845
Less accumulated depreciation for:				
Land improvements	59,906	441	–	60,347
Buildings	1,113,669	26,941	–	1,140,610
Fixed equipment	687,436	56,305	–	743,741
Movable equipment	3,186,883	151,428	19,500	3,318,811
Total accumulated depreciation	5,047,894	235,115	19,500	5,263,509
Total capital assets being depreciated, net	1,133,272	(90,340)	(19,500)	431,336
Total capital assets, net	$ 2,473,702	$ 13,556,294	$ (19,500)	$ 15,418,400
Right-of-use lease assets:				
Equipment	$ 611,596	$ –	$ (19,500)	$ 592,096
Less accumulated amortization	249,262	94,952	–	344,714
Right-of-use assets, net	$ 362,334	$ (94,952)	$ (19,500)	$ 247,882

6. CAPITAL ASSETS AND RIGHT-OF-USE LEASE ASSETS (continued)

	Balance At December 31, 2022	Additions	Disposals	Balance At December 31, 2023
Component unit				
Capital assets not being depreciated:				
Land	$ 5,000	$ –	$ –	$ 5,000
Construction in progress	–	–	–	–
Total capital assets not being depreciated	5,000	–	–	5,000
Capital assets being depreciated:				
Land improvements	3,405	–	–	3,405
Buildings	234,064	–	–	234,064
Total capital assets being depreciated	237,469	–	–	237,469
Less accumulated depreciation for:				
Land improvements	3,405	–	–	3,405
Buildings	199,907	13,234	–	213,141
Total accumulated depreciation	203,312	13,234	–	216,546
Total capital assets being depreciated, net	34,157	(13,234)	–	20,923
Total capital assets, net	$ 39,157	$ (13,234)	$ –	$ 39,157

6. CAPITAL ASSETS AND RIGHT-OF-USE LEASE ASSETS (continued)

	Balance At December 31, 2021	Additions	Disposals	Balance At December 31, 2022
Component unit				
Capital assets not being depreciated:				
Land	$ 5,000	$ –	$ –	$ 5,000
Construction in progress	–	–	–	–
Total capital assets not being depreciated	5,000	–	–	5,000
Capital assets being depreciated:				
Land improvements	3,405	–	–	3,405
Buildings	234,064	–	–	234,064
Total capital assets being depreciated	237,469	–	–	237,469
Less accumulated depreciation for:				
Land improvements	3,405	–	–	3,405
Buildings	185,279	14,628	–	199,907
Total accumulated depreciation	188,684	14,628	–	203,312
Total capital assets being depreciated, net	48,785	(14,628)	–	34,157
Total capital assets, net	$ 53,785	$ (14,628)	$ –	$ 39,157

7. PENSION PLAN

Plan description

The Hospital District participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan covering substantially all employees. The Pension Plan is administered by KPERS, a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74-4901 *et. seq.*:

Public employees, which includes:
- State/School employees
- Local government employees
- Police and Firemen
- Judges

7. PENSION PLAN (continued)

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions such as the Hospital District is optional, but irrevocable once elected.

KPERS makes separate calculations for pension-related amounts for the four groups noted above, with the Hospital District participating in the local government employee group.

The KPERS plan is a cost-sharing, multiemployer, defined benefit plan. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or by accessing the internet at the KPERS website at *www.kpers.org*.

Benefits provided

KPERS provides retirement, life insurance, disability income, and death benefits and is established by statute and may only be changed by the Kansas Legislature. Normal retirement is at age 65, 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Members with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit.

Monthly retirement benefits are based on statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a Tier 1, Tier 2 or Tier 3 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009 through December 31, 2014, and Tier 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for Tier 1, Tier 2 and Tier 3 members. Member employee contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for Tier 1, Tier 2 and Tier 3 be determined based on the results of each annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employees. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended December 31, 2023.

7. PENSION PLAN (continued)

The Hospital District's rates established by statute are as follows:

Period	Percent
January 1, 2022 to December 31, 2022	8.90%
January 1, 2023 to December 31, 2023	8.43%

The employer contribution rate is actuarially determined as an amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Hospital District's contributions to KPERS for pensions for the years ended December 31, 2023 and 2022, were $448,366 and $377,477, respectively.

Employer Allocations

Although KPERS administers one cost sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each of the following groups of the plan:

- State/School employees
- Local government employees
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The Hospital District is included in the local group. The allocation percentages presented for each group are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group. The Hospital District's share of the collective pension amounts as of December 31, 2023 and 2022, are based on the proportion of each employer's contributions to total employer and nonemployer contributions of the group for the years ended June 30, 2023 and 2022, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. At December 31, 2023, the District's proportion of KPERS was 0.137562%, which is a decrease of 0.116948% from its proportion measured at December 31, 2022.

Pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources

At December 31, 2023 and 2022, the Hospital District reported a liability of $2,885,920 and $2,324,978, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 and 2022, respectively, rolled forward to June 30, 2022 and 2023, respectively. The Hospital District's proportion of the collective net pension liability was based on the ratio of the Hospital District's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods.

For the years ended December 31, 2023 and 2022, the Hospital District recognized pension expense of $630,374 and $404,436, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period. At December 31, 2023 and 2022 the Hospital District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

7. **PENSION PLAN (continued)**

	December 31, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Hospital District contributions subsequent to the measurement date	$ 128,953	$ –
Differences between expected and actual experience	239,903	406
Net difference between projected and actual earnings on pension plan investments	168,554	–
Changes of assumptions	305,867	–
Changes in proportion	505,715	272,023
Total	$ 1,348,992	$ 272,409

	December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Hospital District contributions subsequent to the measurement date	$ 125,362	$ –
Differences between expected and actual experience	87,940	4,167
Net difference between projected and actual earnings on pension plan investments	196,810	–
Changes of assumptions	371,634	–
Changes in proportion	418,853	358,379
Total	$ 1,200,599	$ 362,546

At December 31, 2023, the Hospital District reported $128,953 as deferred outflows of resources related to pensions resulting from Hospital District's contributions subsequent to the measurement date of June 30, 2023 through the Hospital District's year end of December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	Amount
2024	$ 356,819
2025	216,123
2026	277,207
2027	94,454
2028	3,007

Actuarial assumptions

The total pension liability was determined by actuarial valuations as of December 31, 2022 and 2021, which were then rolled forward to June 30, 2023 and 2022, respectively, using the following actuarial assumptions:

7. **PENSION PLAN (continued)**

	2022	2021
Price inflation	2.75%	2.75%
Salary increases, including price inflation	3.50 to 12.00%	3.50 to 12.00%
Investment rate of return, compounded annually, net of investment expense, and including inflation	7.00%	7.00%

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2022 and 2021 valuations, were based on the results of an actuarial experience study conducted for the three-year period ending December 31, 2021 and was dated October 28, 2022.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study provided by KPERS' investment consultant, are summarized in the following tables:

	December 31, 2023	
Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
US Equities	23.50%	5.20%
Non-US Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield Driven	8.00	4.70
Real Return	11.00	3.25
Fixed Income	11.00	1.55
Short-Term Investments	4.00	0.25
Total	100.00%	

	December 31, 2022	
Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
US Equities	23.50%	5.20%
Non-US Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield Driven	8.00	4.70
Real Return	11.00	3.25
Fixed Income	11.00	1.55
Short-Term Investments	4.00	0.25
Total	100.00%	

7. PENSION PLAN (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00% for both of the years ended June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for these groups may not increase by more than the statutory cap (1.2% for 2023). The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the Hospital District's share of the net pension liability of the pension plan calculated using the discount rate of 7.00%, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Hospital District's proportionate share of the net pension liability (2023)	$ 4,138,101	$ 2,885,920	$ 1,842,722

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

8. CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	December 31, 2023	December 31, 2022
Medicare	$ 1,484,992	$ 745,429
Medicaid	97,151	87,310
Commercial	891,132	468,933
Other	210,865	207,020
Gross accounts receivable	2,684,140	1,508,692
Less allowance for doubtful accounts	561,829	503,540
	$ 2,122,311	$ 1,005,152

9. BUILDING LEASE AGREEMENT

The component unit had entered into an agreement with a not-for-profit organization to provide space for a local physician's clinic. The annual rent was $15,600 commencing with the second year of the lease and is payable in installments of $1,300 per month. Effective July 1, 2022, the lease was terminated and the Hospital District purchased the clinic's equipment and assumed operations of the clinic.

10. OTHER POST-EMPLOYMENT BENEFITS

KPERS Death and Disability OPEB Plan

Plan description

The Hospital District participates in an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan which is administered by KPERS. The Plan provides long-term disability benefits and life insurance benefits for disabled KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than postemployment benefits (OPEB), no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. There is no stand-alone financial report for the Plan. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits provided

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

Long-term disability benefit

The monthly benefit is 60% of the member's monthly compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability occurs at or after age 60, benefits are payable while the disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

Group waiver of premium benefit

Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's annual rate of compensation at the time of the disability or the member's previous 12 months of compensation at the time of the last date of payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefits rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance plan.

10. OTHER POST-EMPLOYMENT BENEFITS (continued)

Members covered by benefit terms

The following members were covered by the benefit terms as of December 31:

	2023	2022
Active employees	58	46
Disabled employees	–	–
	48	46

Total OPEB liability

At December 31, 2023 and 2022, the Hospital District reported a total OPEB liability of $28,639 and $32,042, respectively

Actuarial assumptions and other inputs

The total OPEB liability was determined by actuarial valuations as of December 31, 2022 and 2021, which were then rolled forward to June 30, 2023 and 2022, respectively, using the following actuarial assumptions:

	2023	2022
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.50%
Salary increases, including wage inflation	3.50 to 10.00%	3.50 to 10.00%
Discount rate	3.65%	3.54%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index as of the measurement date.

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate, with adjustments for mortality improvements based on MP-2021 Mortality Tables for the December 31, 2023 and 2022 actuarial valuations.

The actuarial assumptions used in the December 31, 2022 and 2021 valuations were based on an actuarial experience study conducted for the period December 31, 2019 through December 31, 2021.

Changes in the total OPEB liability

	December 31,	
	2023	2022
Changes for the year:		
Service cost	$ 7,030	$ 7,509
Interest cost	1,383	773
Changes in economic/demographic gains/(losses)	(11,732)	5,751
Changes in assumptions or other inputs	(84)	(10,273)
Benefit payments	–	–
Net changes	(3,403)	3,760
Net OPEB liability at beginning of year	32,042	28,282
Net OPEB liability at end of year	$ 28,639	$ 32,042

10. OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate for each period. The discount rate increased from 3.54% in 2022 to 3.65% in 2023 and increased from 2.16% in 2021 to 3.54% in 2022.

Sensitivity of the total OPEB liability to changes in the discount rate and health care cost trend rates

The following table presents the Hospital District's share of the total OPEB liability of the disability plan calculated using the appropriate discount rates for 2023 and 2022, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate for each year, respectively:

	1.00% Decrease (2.65%)	Discount Rate (3.65%)	1.00% Increase (4.65%)
Hospital District's total OPEB liability (2023)	$ 29,295	$ 28,639	$ 27,773

	1.00% Decrease (2.54%)	Current Discount Rate (3.54%)	1.00% Increase (4.54%)
Hospital District's total OPEB liability (2022)	$ 32,538	$ 32,042	$ 31,287

The total OPEB liability of the Hospital District is not impacted by health care cost trend rates given the nature of the benefits provided by the OPEB plan, and as such no sensitivity tables were prepared for the health care cost trend rates.

OPEB expense

For the year ended December 31, 2023 and 2022, the Hospital District recognized OPEB expense of $11,435 and $4,895, respectively, which includes the changes in the total OPEB liability and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred outflows of resources and deferred inflows of resources

The following is a summary of the collective deferred outflows or resources and deferred inflows of resources related to the OPEB plan at December 31:

	2023	2022
Deferred outflows of resources:		
Benefit payments subsequent to the measurement date	$ –	$ –
Differences between expected and actual experience	5,199	5,896
Changes of assumptions	512	602
	$ 5,711	$ 6,498

10. OTHER POST-EMPLOYMENT BENEFITS (continued)

	2022	2021
Deferred inflows of resources:		
Differences between expected and actual experience	$ 28,286	$ 23,936
Changes of assumptions	8,432	205
	$ 36,718	$ 24,141

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2023, that will be recognized in OPEB expense in future years.

	Recognition of Net Deferred Outflows and Inflows of Resources By Year
Year ending December 31:	
2024	$ (4,551)
2025	(4,551)
2026	(4,540)
2027	(4,280)
2028	(3,762)
Thereafter	(9,323)
	$ (31,007)

Group Health Insurance Plan

As provided by K.S.A. 12-5040, the Hospital District is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the Hospital District would be subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements. Management believes that the effect on the financial statements is not significant. The Hospital District provides no other post-employment benefits, other than a retirement plan, for former employees.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Hospital District makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage.

11. CONTINGENCIES

The Hospital District provides for annual medical malpractice coverage under a claims-made policy. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides additional claims-made coverage for each medical incident.

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

12. COVID-19 GLOBAL PANDEMIC PROGRAMS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and then spread to many countries, including the United States of America (U.S.). On March 11, 2020, the World Health Organization (WHO) characterized the COVID-19 as a global pandemic as it continued to spread rapidly throughout the world and on March 13, 2020 the President of the U.S. declared an emergency under sections 201 and 301 of the National Emergencies Act. Since this declaration, the Hospital District has operated within the guidelines provided by local, state, and federal regulatory agencies. Certain of the restrictions have continued, elapsed, or have been reinstated for periods in 2023. As a result, business continuity, including supply chains and consumer demand across a broad range of industries and countries, were and may continue to be impacted as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

In response to the pandemic, federal, state, and local governments enacted various programs to provide direct funds to health care providers, businesses, and the general public to assist them during the duration of the pandemic. The Hospital District has received several grants over the three years to assist in managing the additional costs and disruptions in normal operations incurred as a result of the pandemic. The terms and conditions associated with accepting the funds have certain requirements for use of the funds that must be met in order to retain these funds. Certain of these programs require the recipients to file reports with the grantors regarding the use of these funds. Any unused or inappropriate expenditure of these funds may be required to be returned to the grantor.

The Hospital District considers receipt of the funds as a voluntary nonexchange transaction for accounting and reporting purposes. The grant funds are initially recorded as unearned revenue (liability) on the financial statements. The liability is being derecognized and nonoperating revenue recognized, as the eligible requirements are determined to be met by the Hospital.

Since the inception of these programs, the reporting guidance has continued to evolve and change, including significant changes affecting the guidance that had been applicable when the funds were initially received. For financial reporting purposes, the Hospital District has determined these continuing changes, even those that have occurred since year-end, to be on-going clarifications and has utilized the most current published reporting guidance up to the date the financial statements were issued to determine the appropriate classification of these funds in the financial statements. The laws and regulations associated with these funds are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

REQUIRED SUPPLEMENTARY INFORMATION

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

Schedule of the Hospital District's Proportionate Share of the Net Pension Liability Last Ten Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Hospital District's proportion percentage of the net pension liability	0.137562%	0.116948%	0.149810%	0.113303%	0.096063%	0.095674%	0.914410%	0.082827%	0.077245%
Hospital District's proportionate share of the net pension liability	$2,885,920	$2,324,978	$1,797,654	$1,964,282	$1,342,358	$1,333,495	$1,324,482	$1,281,358	$1,014,261
Hospital District's covered employee payroll	$3,107,178	$2,533,398	$2,995,762	$2,218,327	$1,947,672	$1,672,325	$1,676,364	$1,563,797	$1,362,911
Hospital District's proportionate share of the net pension liability as a percentage of its covered employee payroll	92.88%	91.77%	60.01%	88.55%	68.92%	79.74%	79.01%	81.94%	74.42%
Plan fiduciary net position as a percentage of the total pension liability	70.70%	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%

Schedule of Hospital District's Contributions Last Ten Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$261,935	$225,473	$265,724	$190,998	$173,369	$140,308	$141,820	$139,758	$129,909
Contribution in relation to the contractually required contribution	$261,935	$225,473	$265,724	$190,998	$173,369	$140,308	$141,820	$139,758	$129,909
Contribution deficienty (excess)	–	–	–	–	–	–	–	–	–
Hospital District's covered payroll	$3,107,178	$2,533,398	$2,995,762	$2,218,327	$1,947,672	$1,672,325	$1,676,364	$1,563,797	$1,362,911
Contributions as a percentage of covered employee payroll	8.43%	8.90%	8.87%	8.61%	8.90%	8.39%	8.46%	8.94%	9.53%

* - This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

Schedule of Changes in the Hospital District's Net OPEB Liability and Related Ratios – Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:							
Service cost	$7,030	$7,509	$7,491	$6,187	$6,010	$5,942	$6,000
Interest	1,383	773	816	1,436	1,247	1,172	750
Effect of economic/demographic gains or losses	(11,732)	5,751	(9,410)	(13,788)	1,217	(7,597)	0
Effect of assumption changes or inputs	(84)	(10,273)	(11)	738	149	(92)	(275)
Benefit payments	0	0	0	0	0	0	0
Net change in total OPEB liability	(3,403)	3,760	(1,114)	(5,427)	8,623	(575)	6,475
Total OPEB liability at beginning of year	32,042	28,282	29,396	34,823	26,200	26,775	20,300
Total OPEB liability at end of year	$28,639	$32,042	$28,282	$29,396	$34,823	$26,200	$26,775
Covered employee payroll	$2,603,856	$2,942,815	$1,895,648	$1,887,146	$1,659,842	$1,606,180	$1,468,710
Total OPEB liability as a percentage of covered employee payroll	1.10%	1.09%	1.49%	1.56%	2.10%	1.63%	1.82%
Discount rate	3.65%	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

SUPPLEMENTARY INFORMATION

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

OPERATION AND MAINTENANCE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – BUDGETARY BASIS

Year ended December 31, 2023

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Revenues:				
Net patient service revenue	$ 3,859,994	$ 7,789,318	$ 8,092,356	$ 303,038
Taxes	831,839	831,839	799,0002	(32,837)
Other	121,301	121,301	557,183	435,882
Total revenues	4,813,134	8,742,458	9,448,541	706,083
Expenditures:				
Salaries	2,629,258	3,504,258	3,489,394	14,864
Employee benefits	971,036	1,470,621	1,106,442	364,179
Supplies and contractual services	2,452,254	3,507,885	4,037,330	(529,445)
Capital outlay	501,075	2,015,405	906,479	1,108,926
Transfers to Employee Benefits Fund	50,000	50,000	–	50,000
Total expenditures	6,603,623	10,548,169	9,539,645	1,008,524
Excess of revenue over expenditures (expenditures over revenue)	(1,790,489)	(1,805,711)	(91,104)	1,714,607
Fund balance, beginning of year	1,805,711	1,805,711	4,429,437	2,623,726
Fund balance, end of year	$ 15,222	$ –	$ 4,338,333	$ 4,338,333

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

EMPLOYEE BENEFITS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – BUDGETARY BASIS

Year ended December 31, 2023

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes	$ 143,770	$ 143,770	$ 139,845	$ (3,925)
Transfers from operations and maintenance fund	50,000	50,000	–	(50,000)
Total revenues	193,770	193,770	139,845	(53,925)
Expenditures – Employee benefits	193,770	193,770	139,845	53,925
Excess of revenue over expenditures (expenditures over revenue)	–	–	–	–
Fund balance, beginning of year	–	–	–	–
Fund balance, end of year	$ –	$ –	$ –	$ –

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

d/b/a CALDWELL REGIONAL MEDICAL CENTER

SCHEDULE OF PATIENT SERVICE REVENUE

	Year ended December 31,					
	2023			2022		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Nursing service	$ 1,264,763	$ 587,642	$ 1,852,405	$ 849,895	$ 131,871	$ 981,766
Operating room	–	94,324	94,324	2,259	92,592	94,851
Anesthesiology	–	2,500	2,500	–	7,207	7,207
Radiology	85,009	530,392	615,401	39,531	415,957	455,488
CAT scan	86,755	846,058	932,813	46,634	611,953	658,587
MRI	–	173,008	173,008	4,470	153,197	157,667
Laboratory	113,366	1,175,321	1,288,687	66,907	1,058,145	1,125,052
Respiratory therapy	–	1,123,235	1,123,235	–	277,213	277,213
Physical therapy	68,425	207,629	276,054	64,528	230,097	294,625
Occupational therapy	1,003	–	1,003	4,387	3,134	7,521
Speech therapy	445	–	445	290	–	290
Electrocardiology	6,534	71,870	78,404	3,783	56,224	60,007
Medical supplies	63,315	73,768	137,083	56,325	44,735	101,060
Pharmacy	167,628	297,750	465,378	92,587	293,497	386,084
Rural health clinic	–	1,246,318	1,246,318	–	573,068	573,068
Emergency room	33,031	1,292,714	1,325,745	6,332	922,638	928,970
Ambulance	2,592	314,623	317,215	591	227,695	228,286
	$ 1,892,866	$ 8,037,152	9,930,018	$ 1,238,519	$ 5,099,223	6,337,742
Contractual adjustments			(1,360,069)			(806,087)
Charity care			(12,662)			(18,345)
Bad debts			(464,931)			(397,203)
			$ 8,092,356			$ 5,116,107

HOSPITAL DISTRICT NO. 1, SUMNER COUNTY, KANSAS

d/b/a CALDWELL REGIONAL MEDICAL CENTER

SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL DIVISION

	Year ended December 31, 2023				
	Salaries	Supplies and other	Depreciation	Total	Percent of total operating expenses
Routine service:					
Nursing service	$ 755,742	$ 373,935	$ 26,072	$ 1,155,749	11.34 %
Ancillary services:					
Operating room	1,212	4,209	18,127	23,548	0.23
Anesthesiology	–	36,745	–	36,745	0.36
Radiology	261,777	44,909	46,384	353,070	3.46
CAT scan	–	139,376	15	139,391	1.37
MRI	–	43,658	22	43,680	0.43
Laboratory	276,747	361,349	44,131	682,227	6.69
Respiratory therapy	–	524,437	–	524,437	5.14
Physical therapy	88,272	12,758	1,356	102,386	1.00
Occupational therapy	–	36	–	36	0.00
Speech therapy	289	738	–	1,027	0.01
Electrocardiology	–	76	955	1,031	0.01
Medical supplies	34,680	40,450	–	75,130	0.74
Pharmacy	8,429	255,973	–	264,402	2.59
Rural health clinic	432,055	70,740	12,495	515,290	5.05
Emergency room	418,623	254,398	–	673,021	6.60
Ambulance	326,949	35,078	78,327	440,354	4.32
	1,849,033	1,824,930	201,812	3,875,775	38.00
General services:					
Nursing administration	55,188	–	–	55,188	0.54
Dietary	105,912	92,352	669	198,933	1.95
Operation of plant	49,438	206,149	20,744	276,331	2.71
Housekeeping	45,588	18,844	–	64,432	0.63
Laundry	–	39,617	–	39,617	0.39
Medical records	31,977	65,146	11,458	108,581	1.06
Administration	583,251	981,587	53,399	1,618,237	15.87
Employee benefits	13,265	1,557,284	–	1,570,549	15.40
Depreciation - building and fixed equipment	–	–	1,234,948	1,234,948	12.11
	884,619	2,960,979	1,321,218	5,166,816	50.66
	$ 3,489,394	$ 5,159,844	$ 1,549,102	$ 10,198,340	100.00 %

	Year ended December 31, 2022				
	Salaries	Supplies and other	Depreciation	Total	Percent of total operating expenses
Routine service:					
Nursing service	$ 770,027	$ 145,768	$ 13,395	$ 929,190	19.68 %
Ancillary services:					
Operating room	933	6,808	27,051	34,792	0.51
Anesthesiology	–	29,465	–	29,465	0.43
Radiology	216,794	52,575	42,869	312,238	4.58
CAT scan	–	99,706	179	99,885	1.46
MRI	–	37,118	267	37,385	0.55
Laboratory	141,717	404,126	67,754	613,597	8.99
Respiratory therapy	–	143,527	–	143,527	–
Physical therapy	134,682	2,850	–	137,532	2.02
Occupational therapy	–	3,540	–	3,540	0.05
Speech therapy	217	277	–	494	0.01
Electrocardiology	–	228	1,182	1,410	0.02
Medical supplies	30,157	54,750	–	84,907	1.24
Pharmacy	8,604	206,048	–	214,652	3.15
Rural health clinic	193,831	75,301	988	270,120	–
Emergency room	495,200	153,065	–	648,265	9.50
Ambulance	194,207	32,511	72,414	299,132	4.38
	1,416,342	1,301,895	212,704	2,930,941	36.89
General services:					
Nursing administration	54,279	–	–	54,279	0.80
Dietary	76,914	74,856	8,137	159,907	2.34
Operation of plant	35,911	188,024	4,551	228,486	3.35
Housekeeping	43,741	10,454	–	54,195	0.79
Laundry	–	37,501	–	37,501	0.55
Medical records	31,033	69,625	15,021	115,679	1.70
Administration	442,398	509,559	12,072	964,029	14.13
Employee benefits	9,639	1,255,114	–	1,264,753	18.54
Depreciation - building and fixed equipment	–	–	83,687	83,687	1.23
	693,915	2,145,133	123,468	2,962,516	43.43
	$ 2,880,284	$ 3,592,796	$ 349,567	$ 6,822,647	100.00 %