Independent Auditor's Report and Financial Statements

Hospital District #1 of Crawford County, Kansas

December 31, 2023 and 2022

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Independent Auditor's Report

The Board of Trustees
Hospital District #1 of Crawford County, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Hospital District #1 of Crawford County, Kansas (Hospital) 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, except for the effects on the financial statements of the omission described in the following paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital as of December 31, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The 2023 and 2022 financial statements referred to above do not include financial data of the Hospital District #1 Crawford County Foundation (Foundation), a component unit of the Hospital based on the nature and significance of the relationship between the Hospital and the Foundation. Although the Hospital does not have ownership of the assets of the Foundation, the financial data of the Foundation should be included in order to conform with accounting principles generally accepted in the United States of America. If the omitted component unit had been included for the years ended December 31, 2023 and 2022, the component unit's assets and net assets would be approximately $465,000 and $373,000, respectively; and there would be an increase in component unit net assets of approximately $92,000 and $12,000 in 2023 and 2022, respectively.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Emphasis of Matter

As discussed in Note A19 to the financial statements, in 2023 the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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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.

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The accompanying information on pages 21 through 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 21 through 25 is fairly stated, in all material respects, in relation to the basic financial statements as a whole, except that no opinion is expressed as to the adequacy of insurance coverage.

The statistical data shown on page 26 is presented solely as supplementary information. This data has been summarized from Hospital records and was not subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion on such data.

Wendling Noe Nolan & Johnson LLC

Topeka, Kansas
June 4, 2024

Financial Statements

Hospital District #1 of Crawford County, Kansas
Statements of Net Position
December 31, 2023 and 2022

Assets and Deferred Outflows of Resources

	2023	2022
Current assets		
Cash and invested cash	$ 2,608,793	$ 3,349,438
Assets whose use is limited - required for current liabilities (Note D)	17,808	7,917
Patient accounts receivable, net of allowance for doubtful accounts of $934,000 in 2023 and $975,000 in 2022 (Note A4)	3,013,337	2,409,389
Accounts receivable - other	85,365	785,220
Estimated settlements due from third-party payors (Note B)		624,418
Inventories (Note A5)	589,716	603,513
Prepaid expenses	291,780	263,842
Total current assets	6,606,799	8,043,737
Assets whose use is limited		
By Board of Trustees (Note C)	1,962,663	1,847,971
By donor for capital equipment (Note C)	1,075,000	975,000
By bond resolution (Note D)	821,808	811,917
	3,859,471	3,634,888
Less amounts required for current liabilities	17,808	7,917
Noncurrent assets whose use is limited	3,841,663	3,626,971
Capital assets (Notes A6, A7, A8, E, F, and H)		
Capital assets not being depreciated	295,801	294,830
Depreciable capital assets, net of accumulated depreciation	4,883,094	4,925,227
Leased assets, net of accumulated amortization	293,604	424,152
Subscription assets, net of accumulated amortization	903,019	1,100,042
Total capital assets	6,375,518	6,744,251
Other assets		
Other investments, at cost	35,100	35,100
Total assets	16,859,080	18,450,059
Deferred outflows of resources		
Deferred outflows on advance refunding	246,582	297,714
Total assets and deferred outflows of resources	$ 17,105,662	$ 18,747,773

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2023	2022
Current liabilities		
Current portion of lease liabilities (Note F)	$ 127,780	$ 125,454
Current installment of right of use subscription liability (Note G)	189,455	181,134
Current portion of long-term debt (Note H)	630,971	604,234
Accounts payable and other accrued liabilities	595,381	435,887
Accrued payroll and related deductions	302,986	268,450
Accrued paid time off (Note A12)	487,260	460,504
Estimated settlements due to third-party payors (Note B)	636,560	
Accrued interest payable	100,356	108,135
Total current liabilities	3,070,749	2,183,798
Noncurrent liabilities		
Lease liabilities, less current portion (Note F)	178,305	306,085
Right of use subscription liability, less current portion (Note G)	753,231	942,686
Long-term debt, less current portion (Note H)	7,687,900	8,372,125
Total noncurrent liabilities	8,619,436	9,620,896
Total liabilities	11,690,185	11,804,694
Net position (Note A11)		
Invested in capital assets, net of related debt	(3,152,457)	(3,763,689)
Restricted for capital equipment	1,075,000	975,000
Restricted for debt service (Note D)	821,808	811,917
Unrestricted	6,671,126	8,919,851
Total net position	5,415,477	6,943,079
Total liabilities and net position	$ 17,105,662	$ 18,747,773

Hospital District #1 of Crawford County, Kansas
Statements of Revenue, Expenses, and Changes in Net Position
Years ended December 31, 2023 and 2022

	2023	2022
Operating revenues		
Net patient service revenue	$ 21,494,169	$ 18,695,019
Other	186,743	684,141
Total operating revenues	21,680,912	19,379,160
Operating expenses		
Salaries and wages	11,502,826	10,416,428
Employee benefits	3,046,558	2,766,365
Purchased services and professional fees	3,432,269	3,108,470
Leases and rentals	91,416	82,720
Other supplies and expenses	4,423,217	4,123,179
Depreciation and amortization	1,321,950	1,251,362
Total operating expenses	23,818,236	21,748,524
Operating loss	(2,137,324)	(2,369,364)
Nonoperating revenues (expenses)		
Investment income	233,397	56,340
Noncapital grants and contributions	50,914	32,223
CARES Act grant revenue		1,218,143
Gain on disposal of equipment	67,350	2,812
Ad valorem taxes	542,956	507,779
Interest expense	(384,895)	(468,089)
Total nonoperating revenues (expenses)	509,722	1,349,208
Expenses in excess of revenues before capital contributions	(1,627,602)	(1,020,156)
Capital grants and contributions	100,000	588,663
Change in net position	(1,527,602)	(431,493)
Net position at beginning of year		
As previously reported	6,966,857	7,374,572
Prior period adjustment for change in accounting principle (Note A19)	(23,778)	
As restated	6,943,079	7,374,572
Net position at end of year	$ 5,415,477	$ 6,943,079

The accompanying notes are an integral part of these statements.

Hospital District #1 of Crawford County, Kansas
Statements of Cash Flows
Years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 22,151,199	$ 19,418,584
Payments to or on behalf of employees	(14,488,092)	(13,112,857)
Payments for supplies and services	(7,949,449)	(7,497,187)
Other receipts and payments	886,598	423,313
Net cash provided (used) by operating activities	600,256	(768,147)
Cash flows from noncapital financing activities		
Ad valorem taxes	542,956	507,779
Proceeds from CARES Act funding		158,002
Noncapital contributions	50,914	32,223
Net cash provided by noncapital financing activities	593,870	698,004
Cash flows from capital and related financing activities		
Purchases of capital assets	(805,318)	(481,622)
Repayments on lease liabilities	(125,454)	(88,218)
Principal payments on right of use subscription liability	(181,134)	(173,244)
Repayment of long-term debt	(604,234)	(582,381)
Receipt of grants and contributions restricted for capital assets	100,000	280,707
Proceeds from disposal of assets	67,351	2,812
Interest paid on long-term debt	(394,796)	(470,839)
Net cash used by capital and related financing activities	(1,943,585)	(1,512,785)
Cash flows from investing activities		
Investment income	233,397	56,340
Net cash provided by investing activities	233,397	56,340
Change in cash and cash equivalents	(516,062)	(1,526,588)
Cash and cash equivalents at beginning of year	6,984,326	8,510,914
Cash and cash equivalents at end of year	$ 6,468,264	$ 6,984,326
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 2,608,793	$ 3,349,438
Cash included in assets whose use is limited	3,859,471	3,634,888
	$ 6,468,264	$ 6,984,326

The accompanying notes are an integral part of these statements.

Hospital District #1 of Crawford County, Kansas
Statements of Cash Flows - Continued
Years ended December 31, 2023 and 2022

	2023	2022
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	$ (2,137,324)	$ (2,369,364)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation and amortization	1,321,950	1,251,362
Provision for bad debts	1,500,527	1,686,771
Changes in		
Patient receivables	(2,104,475)	(229,348)
Other receivables	699,855	(260,828)
Estimated settlements due to/from third-party payors	1,260,978	(733,858)
Inventories	13,797	1,995
Prepaid expenses	(27,938)	19,968
Accounts payable and accrued expenses	11,594	(204,781)
Accrued payroll and related deductions	34,536	66,874
Accrued paid time off	26,756	3,062
Net cash provided (used) by operating activities	$ 600,256	$ (768,147)

The accompanying notes are an integral part of these statements.

Hospital District #1 of Crawford County, Kansas
Notes to Financial Statements
December 31, 2023 and 2022

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

A summary of the reporting entity and significant accounting policies of Hospital District #1 of Crawford County, Kansas, consistently applied in the preparation of the accompanying financial statements follows.

1. Financial reporting entity

Hospital District #1 of Crawford County, Kansas (Hospital), is a municipal corporation operating an acute-care hospital located in Girard, Kansas, with a licensed bed capacity of 25 acute-care beds and 10 geriatric psych beds. The Hospital also provides outpatient and home health service to the community and surrounding areas. The Hospital is governed by an elected five-member Board of Trustees.

2. Basis of accounting

The Hospital uses enterprise fund accounting whereby revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

3. Use of estimates

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

4. Patient accounts receivable

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

5. Inventories

Inventories are stated at the lower of cost or net realizable value with cost determined using the average cost method.

6. Capital assets

Capital asset acquisitions in excess of $5,000 are capitalized and stated at cost. Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

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

7. Leased assets and liabilities

Leased assets and liabilities are recorded at the present value of the lease payments over the lease term using the lease's implicit rate or the Hospital's incremental borrowing rate. Rental escalation clauses and extension options are factored into the determination of the lease payments when appropriate. Lease and nonlease components of contracts are separated when determining the lease payments. Leased assets are amortized on the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

8. Right of use subscription asset and liability

Right of use subscription asset and liability are recorded at the present value of the subscription payments over the agreement term using the implicit rate in the agreement or the Hospital's incremental borrowing rate. Rental escalation clauses and renewal options are factored into the determination of subscription payments when appropriate.

9. Costs of borrowing

Original issue premiums and discounts and deferred outflows on advance refunding associated with issuance of long-term debt are amortized using the principal outstanding method over the term of the related debt.

10. Deferred outflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

11. Net position

The net position of the Hospital is presented in the following four components:

- Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- Restricted for debt service - Restricted net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital.
- Restricted expendable net position - Restricted expendable net position is noncapital net position that must be used for the purchase of capital assets in accordance with donor restrictions.
- Unrestricted - Unrestricted net position is the remaining net position that does not meet the definitions of the other three components of net position.

12. Compensated absences

Hospital policies permit most employees to accumulate benefits (including paid time away from work to use for personal business, vacation, illness, and holidays) that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

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

13. Operating revenues and expenses

The Hospital's statement of revenue, 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's principal activity. Nonexchange revenues, including 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.

14. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, the provision for bad debts, and contractual adjustments, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

15. Charity care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charity care provided by the Hospital is disclosed in Note B.

16. Ad valorem taxes

The Hospital receives financial support from ad valorem taxes. The ad valorem taxes are used for the purchase of capital assets. Ad valorem taxes are assessed in November of each year and are available for use by the Hospital in the following year.

17. Income taxes

The Hospital is classified as a political subdivision under Section 115 of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 115 and is not required to file federal income tax returns.

18. Cash and cash equivalents

The Hospital considers all cash and invested cash, including any amounts included in assets whose use is limited, to be cash equivalents for the purposes of the cash flow statement.

19. Adoption of accounting pronouncement

Effective January 1, 2023, the hospital adopted GASB statement No. 96, *Subscription-Based Information Technology Arrangements.* Under the provisions of GASB 96, the Hospital recognized a right to use subscription asset (an intangible asset) and a corresponding subscription liability. The subscription liability was initially measured at the present value of the subscription payments expected to be made during the subscription term. The subscription asset was initially measured as the sum of (1) the initial subscription liability amount and (2) any implementation costs that meet the criteria for capitalization, The amortization of the subscription liability is recognized as an outflow of resources and the amortization of the subscription asset is also recognized as an outflow of resources over the subscription term. The Hospital's comparative financial statements of prior years have been adjusted to apply this new standard retrospectively. A decrease of $23,778 has been included in the restated 2023 beginning net position balance of the Hosital under the adoption of GASB 96.

Note B - Reimbursement Programs

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established charge rates. The amounts reported on the statements of net position as estimated third-party payor settlements consist of management's estimate of the differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient and outpatient acute care services, rural health clinic services, and skilled nursing swing-bed services rendered to Medicare program beneficiaries are paid under the provisions applicable to critical access hospitals. Inpatient geriatric psychology services are paid based on prospectively determined per diem rates. Home health and other physician services rendered to Medicare beneficiaries are paid based on prospectively determined rates.

The Hospital is paid for cost reimbursable items at a tentative rate with the final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2021.

Medicaid - Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital receives a hospital-specific add-on percentage to each claim based on previously filed cost reports.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross-Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

A summary of gross and net patient service revenue follows:

	2023	2022
Gross patient service revenue	$ 42,928,687	$ 36,739,390
Adjustments to patient service revenue		
Third-party contractual adjustments, discounts, and allowances	(19,840,876)	(16,267,942)
Provision for bad debts	(1,500,527)	(1,686,771)
Charity care	(93,115)	(89,658)
Net patient service revenue	$ 21,494,169	$ 18,695,019

The Hospital maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under its charity care policy for 2023 and 2022, was $93,115 and $89,658, respectively. The Hospital estimates that the cost of providing charity care, based on overall cost-to-charge ratios obtained from the Hospital's cost reports, was $51,081 and $52,055 for 2023 and 2022, respectively.

Note C - Assets Whose use is Limited by Board of Trustees and Donors

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

Note D - Assets Whose use is Limited by Bond Resolution

Assets whose use is limited by bond resolution at December 31, 2023 and 2022, consist of required accounts to be maintained by the Hospital under the terms of the Crawford County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2016 and Refunding Revenue Bonds, Series 2017 resolutions (see Note H).

Funds held in these accounts consist of invested cash and are summarized as follows:

	2023	2022
Debt service account - Series 2016 and 2017	$ 17,808	$ 7,917
Debt service reserve fund - Series 2017	804,000	804,000
	821,808	811,917
Less amounts required for current liabilities	17,808	7,917
	$ 804,000	$ 804,000

Under the terms of the Series 2017 bond resolution, the debt service account is to be used for payment of principal and interest on the bonds. The debt service reserve account is to be used to prevent any default in the payment of principal and interest on the bonds.

Note E - Capital Assets

Hospital capital asset additions, retirements, and balances are as follows:

	2023			
	Beginning balance	Additions/ transfers	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 281,380	$ -	$ -	$ 281,380
Projects in progress	13,450	971		14,421
Total capital assets not being depreciated	294,830	971	-	295,801
Capital assets being depreciated				
Land improvements	1,067,408			1,067,408
Buildings and fixed equipment	17,236,670	64,106	(30,000)	17,270,776
Major movable equipment	8,504,475	888,141	(215,538)	9,177,078
Total capital assets being depreciated	26,808,553	952,247	(245,538)	27,515,262
Less accumulated depreciation for				
Land improvements	713,501	13,452		726,953
Buildings and fixed equipment	13,669,608	558,545	30,000	14,198,153
Major movable equipment	7,500,217	422,383	215,538	7,707,062
Total accumulated depreciation	21,883,326	994,380	245,538	22,632,168
Total capital assets being depreciated, net	4,925,227	(42,133)	-	4,883,094
Leased assets being amortized				
Major movable equipment	453,743			453,743
Buildings and fixed equipment	79,599			79,599
Total leased assets being amortized	533,342	-	-	533,342
Less accumulated amortization				
Major movable equipment	105,873	90,749		196,622
Buildings and fixed equipment	3,317	39,799		43,116
Total accumulated amortization	109,190	130,548	-	239,738
Total leased assets being amortized, net	424,152	(130,548)	-	293,604
Subscription assets being amortized				
Subscription assets	1,297,064	-	-	1,297,064
Less accumulated amortization				
Subscription assets	197,022	197,023	-	394,045
Total subscription assets being amoritzed,net	1,100,042	(197,023)	-	903,019
Total capital assets, net	$ 6,744,251	$ (368,733)	$ -	$ 6,375,518

Note E - Capital Assets - Continued

	2022			
	Beginning balance	Additions/ transfers	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 281,380	$ -	$ -	$ 281,380
Projects in progress		13,450		13,450
Total capital assets not being depreciated	281,380	13,450	-	294,830
Capital assets being depreciated				
Land improvements	1,047,003	20,405		1,067,408
Buildings and fixed equipment	17,175,493	61,177		17,236,670
Major movable equipment	8,325,707	370,090	(191,322)	8,504,475
Total capital assets being depreciated	26,548,203	451,672	(191,322)	26,808,553
Less accumulated depreciation for				
Land improvements	700,049	13,452		713,501
Buildings and fixed equipment	13,104,986	564,622		13,669,608
Major movable equipment	7,309,339	382,200	191,322	7,500,217
Total accumulated depreciation	21,114,374	960,274	191,322	21,883,326
Total capital assets being depreciated, net	5,433,829	(508,602)	-	4,925,227
Leased assets being amortized				
Major movable equipment	453,743			453,743
Buildings and fixed equipment		79,599		79,599
Total leased assets being amortized	453,743	79,599	-	533,342
Less accumulated amortization				
Major movable equipment	15,124	90,749	-	105,873
Buildings and fixed equipment	-	3,317	-	3,317
Total accumulated amortization	15,124	94,066	-	109,190
Total leased assets being amortized, net	438,619	(14,467)	-	424,152
Subscription assets being amortized				
Subscription assets	-	1,297,064	-	1,297,064
Less accumulated amortization				
Subscription assets	-	197,022	-	197,022
Total subscription assets being amoritzed,net	-	1,100,042	-	1,100,042
Total capital assets, net	$ 6,153,828	$ 590,423	$ -	$ 6,744,251

Note F - Lease Liabilities

The Hospital leases certain equipment and a building, the terms of which expire in various years through 2026. The interest rate for these leases is 4.5 percent. Payments are based on each specific lease agreement. The Hospital's leases do not contain variable lease payments or residual value guarantees. The following is a summary of leases liabilities:

	2023	2022
Current portion of lease liabilities	$ 127,780	$ 125,454
Noncurrent portion of lease liabilities	178,305	306,085
Total lease liabilities	$ 306,085	$ 431,539

The following is a summary of changes in lease liabilities:

Outstanding at January 1, 2022	$ 440,158
Obligations incurred	79,598
Principal payments	(88,217)
Outstanding at December 31, 2022	431,539
Principal payments	(125,454)
Outstanding at December 31, 2023	$ 306,085

Schedule lease liability payments are as follows:

	Principal	Interest	Total
2024	$ 127,780	$ 11,116	$ 138,896
2025	95,435	6,061	101,496
2026	82,870	1,710	84,580
Total	$ 306,085	$ 18,887	$ 324,972

Note G - Right of Use Subscription Liability

In March of 2021, the Hospital entered into a hosting arrangement for a new computer system. The contract is for a period of 7 years. The monthly payment under the agreement is approximately $28,000. Of this amount, $19,000 is related to the right to use the licensed software and the remaining portion is for a monthly support fee. The amounts paid under the agreement were recorded as operating expenses, during the year ended December 31, 2021.

Effective January 1, 2022, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* in regard to the computer system hosting arrangement. Under the provisions of GASB 96, the Hospital recognized a right to use subscription asset and a corresponding subscription liability. The Hospital's subscription asset and liability were initially measured at the present value of the subscription payments to be made during the subscription agreement's remaining term at an interest rate of 4.5 percent. The subscription payments are to be made monthly through July of 2028. The Hospital is amortizing the subscription asset and the subscription liability over the term of the agreement.

Note G - Right of Use Subscription Liability - Continued

A summary of the right to use subscription liability is as follows:

	2023	2022
Current portion of right of use subscription liability	$ 189,455	$ 181,134
Noncurrent portion of right of use subscription liability	753,231	942,686
Total right of use operating subscription liability	$ 942,686	$ 1,123,820

Scheduled principal and interest requirements to maturity for right of use subscription liability are as follows:

	Principal	Interest	Total
2024	$ 189,455	$ 38,545	$ 228,000
2025	198,159	29,841	228,000
2026	207,262	20,738	228,000
2027	216,783	11,217	228,000
2028	131,027	1,973	133,000
	$ 942,686	$ 102,314	$ 1,045,000

Note H - Long-Term Debt

Hospital long-term debt consists of the following:

	2023	2022
Crawford County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2016, issued on March 30, 2016, in the original amount of $2,605,000, variable interest rate of 2.93%	$ 2,097,055	$ 2,161,289
Crawford County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2017, issued on December 28, 2017, in the original amount of $8,775,000, interest rate of 4.00%	5,965,000	6,505,000
	8,062,055	8,666,289
Net unamortized bond premium	256,816	310,070
Less current maturities	(630,971)	(604,234)
	$ 7,687,900	$ 8,372,125

The Series 2016 refunding revenue bonds were issued by the Crawford County, Kansas Public Building Commission (PBC) for the purpose of refunding the Series 2009B bonds. The Series 2016 refunding revenue bonds are due in annual installments of varying amounts with final maturity on September 1, 2034. Interest is payable on September 1 of each year.

Note H - Long-Term Debt - Continued

The initial interest rate on the Series 2016 bonds is 2.93 percent. The rate will be adjusted on September 1, 2025, to the daily yield on 10-year U.S. Treasury obligations, plus 100 basis points, provided that such rate shall not exceed the maximum legal limit for interest rates under K.S.A. 10-1009, as amended.

On December 28, 2017, the Crawford County, Kansas Public Building Commission issued $8,775,000 in Refunding Revenue Bonds, Series 2017, (the 2017 bonds) on behalf of the Hospital. The proceeds of the 2017 bonds were used to (1) pay the costs related to issuance of the 2017 bonds, and (2) advance refund $8,540,000 of the 2009-A bonds maturing during the years from 2018 through 2032 by making an irrevocable deposit with a trustee. The trustee used that deposit to purchase direct obligations of the United States of America that will mature and pay interest in amounts and at times that will provide for payment of interest on the refunded 2009-A bonds through September 1, 2019, and to redeem and pay the $8,540,000 of refunded 2009-A bonds on that date at redemption prices of 100 percent and 102 percent.

As part of the refunding transactions the Hospital entered into a sublease agreement with the County dated March 30, 2016, and was further amended by supplemental sublease No. 2 dated December 28, 2017. As a result of the transaction, a deferred refunding loss was recognized for the difference between the book value of the refunded debt and the amount required to extinguish the debt. This deferred loss is reported as a deferred outflow of resources on the statement of net position.

The following is a schedule of future maturities of long-term debt:

	Principal	Interest	Total
2024	$ 630,971	$ 301,068	$ 932,039
2025	653,102	276,337	929,439
2026	680,125	250,914	931,039
2027	707,208	224,431	931,639
2028	734,205	197,034	931,239
2029-2033	3,932,796	532,706	4,465,502
2034	723,648	21,497	745,145
	$ 8,062,055	$ 1,803,987	$ 9,866,042

The following is a summary of changes in long-term debt:

Principal outstanding at January 1, 2022	$ 9,248,669
2022 payments on long-term debt	(582,381)
Principal outstanding at December 31, 2022	8,666,288
2023 payments on long-term debt	(604,233)
Principal outstanding at December 31, 2023	$ 8,062,055

The pledge of Revenues and Operation Agreement between the Hospital and Crawford County, Kansas, contains covenants which, among other things, require the segregation of funds for payment of principal and interest on the bonds (see Note D) and require the establishment and maintenance of charge rates for Hospital services at such levels so that net revenues available for debt service of the Hospital will not be less than 115 percent of the annual debt service requirements on the Hospital's parity debt obligations. The Hospital did not meet this requirement in either 2023 or 2022, and is currently in the process of complying with the agreement with the PBC and the County.

Note I - Risk Management

The Hospital is insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $500,000 per occurrence up to an annual aggregate of $1,500,000 for all claims made during the policy year. The Hospital is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $500,000 pursuant to any one judgment or settlement against the Hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $1,500,000. All coverage is on a claims-made basis. The above policies are renewed through March 27, 2024. The Hospital intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

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

Note J - Deposits with Financial Institutions

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

The carrying amount of the Hospital's deposits with financial institutions was $5,644,937 and the bank balances were $5,836,477 at December 31, 2023. The bank balances are categorized as follows at December 31, 2023:

Amount insured by the F.D.I.C., or collateralized with the Hospital's name	$ 450,000
Uncollateralized (amount collateralized with securities held in safekeeping by an authorized depository other than the pledging financial institution's trust department, but not in the Hospital's name)	5,386,477
	$ 5,836,477

Note K - Defined Contribution Pension Plan

The Hospital sponsors a defined contribution pension plan that provides pension benefits for substantially all of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by a third-party insurance company and can be amended by the Board of Trustees. The Hospital matches employee contributions up to 3 percent of compensation excluding bonuses. The employees can contribute up to the maximum allowed by the Internal Revenue Service. The employees are fully vested in Hospital contributions after five years of service.

Note K - Defined Contribution Pension Plan - Continued

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

	2023	2022
Hospital contributions	$ 161,580	$ 156,880
Employee contributions	522,149	468,514

Note L - Budgetary Comparison

The Hospital legally adopted a budget for capital fund expenditures for the years ended December 31, 2023 and 2022. Actual capital fund expenditures for the year ended December 31, 2023, were $953,218 as compared to the legally adopted budgeted expenditures of $540,300. Actual capital fund expenditures for the year ended December 31, 2022, were $465,122 as compared to the legally adopted budgeted expenditures of $505,724.

Note M - Related Party Transactions

Hospital District #1 Crawford County Foundation (Foundation) was established in September 1999. The Foundation's Articles of Incorporation provide that its funds are for the benefit of the Hospital. The Foundation donated $37,491 in capital contributions to the Hospital during the year ended December 31, 2022. The Foundation also donated $11,000 and $18,100 in noncapital contributions to the Hospital during the years ended December 31, 2023 and 2022, respectively.

The Hospital participates in the 340(B) outpatient drug program. One of the pharmacies that the Hospital utilizes for the program is owned by a member of the Hospital's Board of Trustees. Approximately $57,600 and $29,000 was recognized as expense related to pharmacy services provided by the pharmacy in 2023 and 2022, respectively.

Note N - Subsequent Events

The Hospital has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

Supplementary Information

Hospital District #1 of Crawford County, Kansas
Net Patient Service Revenue
Years ended December 31, 2023 and 2022

	2023			2022
	Inpatient	Outpatient	Total	Total
Acute care room	$ 778,187	$ 436,970	$ 1,215,157	$ 1,187,754
Swing-bed room	211,338		211,338	146,292
Intensive care room	98,709		98,709	13,548
Geriatric psych	1,993,371	126,915	2,120,286	2,379,831
Operating room	189,754	3,042,154	3,231,908	3,310,793
Orthopedic		155,886	155,886	167,214
Anesthesiology	25,980	596,115	622,095	520,725
Radiology	189,534	6,552,838	6,742,372	6,135,680
Laboratory	587,319	7,171,470	7,758,789	6,593,062
Respiratory therapy	58,445	68,393	126,838	136,916
Physical therapy	133,962	1,120,060	1,254,022	918,670
Occupational therapy	78,352	330,160	408,512	297,221
Speech therapy	3,507	11,589	15,096	21,474
Pulmonary Rehab		432,864	432,864	197,570
Medical supplies	45,149	1,590,799	1,635,948	1,257,317
Wound care		1,502,233	1,502,233	1,053,072
Pharmacy	1,003,986	2,015,958	3,019,944	2,841,184
Electrocardiology	114,894	1,204,939	1,319,833	999,618
Emergency room	128,337	4,113,016	4,241,353	3,876,460
Home health		444,272	444,272	393,989
Physician clinics	121,481	6,231,263	6,352,744	4,282,711
Community outreach		18,488	18,488	8,289
Gross patient service revenue	$ 5,762,305	$ 37,166,382	42,928,687	36,739,390
Contractual adjustments, discounts, and allowances				
Medicare			(7,293,116)	(5,833,594)
Medicaid			(3,089,864)	(2,730,417)
Blue Cross			(4,077,024)	(3,570,463)
Other			(5,380,872)	(4,133,468)
Provision for bad debts			(1,500,527)	(1,686,771)
Charity care			(93,115)	(89,658)
Net patient service revenue			$ 21,494,169	$ 18,695,019

Hospital District #1 of Crawford County, Kansas
Other Revenue
Years ended December 31, 2023 and 2022

	2023	2022
Clinic rental	$ 10,650	$ 5,420
Cafeteria sales	35,020	32,638
Grants received	30,388	25,179
340(B) drug program	62,445	581,795
Other	48,240	39,109
	$ 186,743	$ 684,141

Hospital District #1 of Crawford County, Kansas
Operating Expenses
Years ended December 31, 2023 and 2022

	2023			2022
	Salaries	Other	Total	Total
Nursing service	$ 842,605	$ 320,364	$ 1,162,969	$ 1,102,238
Intensive care	61,334	86,814	148,148	78,266
Swing-bed		1,040	1,040	1,636
Geriatric psych	994,415	425,904	1,420,319	1,259,043
Operating room	465,234	150,830	616,064	572,099
Orthopedic	45,731	150,894	196,625	504,547
Anesthesiology		568,017	568,017	548,614
Radiology	349,389	310,054	659,443	633,439
Laboratory	613,100	712,605	1,325,705	1,242,114
Respiratory therapy	48,095	17,764	65,859	69,547
Physical therapy	291,240	27,576	318,816	256,134
Occupational therapy	89,551	600	90,151	89,692
Speech therapy		13,110	13,110	13,073
Pulmonary Rehab	210,019	11,490	221,509	207,930
Central supply	78,672	820,727	899,399	732,822
Pharmacy	228,047	779,043	1,007,090	957,086
Emergency room	1,354,883	43,198	1,398,081	1,336,325
Home health	315,488	32,641	348,129	338,134
Wound care	40,971	276,959	317,930	212,323
Physician clinics	3,293,009	927,981	4,220,990	3,332,219
Administrative and general	1,343,918	1,337,195	2,681,113	2,521,137
Plant operation and maintenance	201,346	578,326	779,672	823,820
Laundry and linen		52,040	52,040	45,575
Housekeeping	142,243	101,019	243,262	248,238
Dietary	196,374	175,512	371,886	350,895
Nursing administration	122,807	1,191	123,998	56,716
Medical records	180,670	21,710	202,380	199,335
Community outreach	(6,315)	2,298	(4,017)	(2,200)
Employee benefits		3,046,558	3,046,558	2,766,365
Depreciation and amortization		1,321,950	1,321,950	1,251,362
	$ 11,502,826	$ 12,315,410	$ 23,818,236	$ 21,748,524

Hospital District #1 of Crawford County, Kansas
Balance in Depository Compared with Depository Security
December 31, 2023

	Girard National Bank	Farmers National Bank
Bank balances December 31, 2023	$ 5,636,477	$ 200,000
Less F.D.I.C. coverage	250,000	200,000
Balance in excess of F.D.I.C. coverage	$ 5,386,477	$ -
Market value of securities pledged	$ 5,849,510	$ -

Hospital District #1 of Crawford County, Kansas
Summary of Insurance Coverage
December 31, 2023

Federal Insurance Company	
Policy No. 3585-70-69, expiring March 27, 2024	
Property coverage	
Buildings and contents, $25,000 deductible	$ 33,101,395
Blanket BPP, $25,000 deductible	6,936,275
Business interruption	15,000,000
Computer malicious programming	1,000,000
Cincinnati Insurance Company	
Policy No. ENP 030 75 68, expiring March 27, 2024	
Employee dishonesty-blanket, $10,000 deductible	500,000
Computer fraud, $2,500 deductible	200,000
Funds transfer fraud, $2,500 deductible	200,000
Forgery, $10,000 deductible	200,000
Kansas Medical Mutual Insurance Company	
Policy No. HPL0015133, expiring March 27, 2024	
Professional hospital liability	
Professional claims	500,000/1,500,000
Kansas Healthcare Stabilization Fund coverage	500,000/1,500,000
Additional insureds	500,000/1,500,000
General liability	
Personal injury and property damage liability	1,000,000/3,000,000
Employee benefits liability, $1,000 deductible	250,000
Cincinnati Insurance Company	
Policy No. EMH 0433716, expiring March 27, 2024	
Directors' and officers' liability and trustee	
and fiduciary liability, $5,000 deductible	1,000,000
Employment practices liability, $10,000 deductible	1,000,000
KHA Workers' Compensation Fund, Inc.	
Certificate No. 83, expiring January 1, 2024	
Workers' compensation	
Per accident	500,000
Per employee disease	500,000
Policy limit employee disease	500,000
Cincinnati Insurance Company	
Policy No. EBA0115804, expiring October 28, 2024	
Automobile liability, each accident	1,000,000
Automobile uninsured motorist, each accident	1,000,000
Automobile underinsured motorist, each accident	1,000,000
Hired and nonowned liability	1,000,000

Hospital District #1 of Crawford County, Kansas
Statistical Data
(Unaudited)
Years ended December 31, 2023 and 2022

	2023	2022
Patient days		
Acute	709	693
Swing-bed	354	254
Total inpatient	1,063	947
Geriatric psych	1,871	2,249
Outpatient visits	14,746	11,564
Discharges		
Acute	232	191
Geriatric psych	198	212
Average length of stay		
Acute	3.1	3.6
Geriatric psych	9.4	10.6
Beds		
Acute	25	25
Geriatric psych	10	10
Occupancy percent inpatient	11.65%	10.38%
Occupancy percent geriatric psych	51.26%	61.62%