Ellsworth County Medical Center A Component Unit of Ellsworth County, Kansas

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
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June 30, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Ellsworth County Medical Center
Ellsworth, Kansas

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Ellsworth County Medical Center as of June 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ellsworth County Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ellsworth County Medical Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Forvis Mazars, LLP

Wichita, Kansas
January 21, 2025

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Balance Sheets
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	$ 830,525	$ 1,173,060
Patient accounts receivable, net of allowance; 2024 - $1,654,049; 2023 - $1,063,830	3,010,631	2,066,795
Estimated amounts due from third-party payers	-	497,860
Supplies	162,487	219,361
Prepaid expenses	214,014	311,327
Other receivables	95,792	218,200
Total current assets	4,313,449	4,486,603
Noncurrent Cash and Investments		
Designated by Board of Trustees	12,125	42,995
Restricted by donors and grantors	221,135	248,197
	233,260	291,192
Capital Assets, Net	4,171,124	4,455,786
Lease Assets, Net	710,388	818,807
Subscription Asset, Net	400,452	743,696
Other Assets		
Advances to medical students	104,100	90,900
Total assets	$ 9,932,773	$ 10,886,984

See Notes to Financial Statements

	2024	2023
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 53,256	$ 88,955
Current portion of lease liabilities	104,723	101,263
Current portion of subscription liability	362,753	348,604
Accounts payable	1,196,477	449,220
Accrued salaries payable	209,639	178,797
Accrued benefits payable	525,509	485,216
Other accrued liabilities	546,807	491,221
Estimated amounts due to third-party payers	368,303	-
Unearned revenue	-	114,697
Total current liabilities	3,367,467	2,257,973
Other Liabilities		
Long-term debt	184,098	231,689
Lease liabilities	660,722	764,525
Subscription liability	61,875	424,628
Total other liabilities	906,695	1,420,842
Total liabilities	4,274,162	3,678,815
Net Position		
Net investment in capital assets	3,854,537	4,058,625
Restricted - expendable for specific operating activities	221,135	248,197
Unrestricted	1,582,939.00	2,901,347
Total net position	5,658,611	7,208,169
Total liabilities and net position	$ 9,932,773	$ 10,886,984

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

	2024	2023
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2024 - $1,060,818; 2023 - ($141,344)	$ 18,285,591	$ 17,386,578
Other	2,281,535	2,630,161
Total operating revenues	20,567,126	20,016,739
Operating Expenses		
Salaries and wages	9,885,101	9,565,251
Employee benefits	1,995,429	2,164,478
Supplies and other	9,682,974	9,656,460
Depreciation	941,180	907,922
Amortization	451,663	452,321
Total operating expenses	22,956,347	22,746,432
Operating Loss	(2,389,221)	(2,729,693)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Ellsworth County	638,986	715,996
Investment income	44,000	60,180
Interest expense	(80,138)	(76,627)
Gain (loss) on disposal of capital assets	(4,427)	331,264
Noncapital grants and gifts	241,242	252,023
Provider Relief Funds (*CARES Act*)	-	239,148
Total nonoperating revenues	839,663	1,521,984
Decrease in Net Position	(1,549,558)	(1,207,709)
Net Position, Beginning of Year	7,208,169	8,415,878
Net Position, End of Year	$ 5,658,611	$ 7,208,169

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

	2024	2023
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 18,207,918	$ 12,658,401
Payments to suppliers	(8,781,530)	(9,757,692)
Payments to employees	(11,753,809)	(12,045,694)
Other receipts, net	2,276,046	2,612,000
Net cash used in operating activities	(51,375)	(6,532,985)
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Ellsworth County	638,986	715,996
Noncapital grants and gifts	241,242	252,023
Provider Relief Funds (*CARES Act*)	-	239,148
Net cash provided by noncapital financing activities	880,228	1,207,167
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(660,945)	(1,076,047)
Proceeds from disposal of capital assets	-	403,779
Principal paid on long-term debt	(83,290)	(61,740)
Interest paid on long-term debt	(6,819.00)	(3,308)
Principal paid on leases payable	(100,343)	(97,026)
Interest paid on leases payable	(36,328)	(36,328)
Principal paid on subscription liability	(348,604)	(335,009)
Interest paid on subscription liability	(36,991)	(36,991)
Net cash used in capital and related financing activities	(1,273,320)	(1,242,670)
Cash Flows From Investing Activities		
Investment income	44,000	60,180
Net cash provided by investing activities	44,000	60,180
Decrease in Cash	(400,467)	(6,508,308)
Cash, Beginning of Year	1,464,252	7,972,560
Cash, End of Year	$ 1,063,785	$ 1,464,252

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

	2024	2023
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 830,525	$ 1,173,060
Cash in noncurrent cash and investments	233,260	291,192
Total cash	$ 1,063,785	$ 1,464,252
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (2,389,221)	$ (2,729,693)
Provision for uncollectible accounts	1,060,818	(141,344)
Depreciation	941,180	907,922
Amortization	451,663	452,321
Change in operating assets and liabilities		
Patient accounts receivable	(2,004,654)	(456,562)
Estimated amounts due from and to third-party payers	866,163	(1,112,458)
Supplies	56,874	24,555
Prepaid expenses	97,313	(71,360)
Other receivables	122,408	118,290
Advances to medical students	(13,200)	(12,000)
Accounts payable	747,257	(54,427)
Accrued salaries payable	30,842	(356,536)
Accrued benefits payable	40,293	(118,985)
Other accrued liabilities	55,586	159,556
Advance from Medicare	-	(3,017,813)
Unearned revenue	(114,697)	(124,451)
Net cash used in operating activities	$ (51,375)	$ (6,532,985)
Noncash Investing, Capital and Financing Activities		
Long term debt obligations incurred for capital assets	$ -	$ 281,025

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

Nature of Operations and Reporting Entity

Ellsworth County Medical Center (Medical Center) is a short-term acute care facility that is a component unit and an integral part of the overall reporting entity of Ellsworth County, Kansas. The Medical Center was organized and began operations on August 1, 1993, to provide inpatient and outpatient health care services for the benefit of the community. The Medical Center is operated by a Board of Trustees appointed by the County Commissioners of Ellsworth County, Kansas.

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The Medical Center considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents for the years ended June 30, 2024 and 2023.

Patient Accounts Receivable

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

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Noncurrent Cash and Investments and Investment Income

Noncurrent cash and investments include designated assets set aside by the Board of Trustees for future capital improvements, education and physician recruitment, over which the Board retains control and may at its discretion subsequently use for other purposes. Also included in noncurrent cash and investments are assets that are restricted by donor and grantors for operating purposes. The funds are primarily invested in certificates of deposit and cash.

Investment income includes interest income.

Capital Assets

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

Land improvements	15 years
Building	40 years
Equipment	5 – 25 years

Lease Assets

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

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease and Subscription Asset Impairment

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

Compensated Absences

The Medical Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

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

The Medical Center is self-insured for a portion of its exposure to risk of loss from employee health claims up to $45,000 per individual for 2024 and 2023. Claims in excess of $45,000 per individual for 2024 and 2023 or $1,000,000 aggregate Medical Center claims are covered through a reinsurance policy. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Net Position

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

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

Net Patient Service Revenue

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

Charity Care

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

Noncapital Appropriations – Ellsworth County

The Medical Center receives approximately 3% of its financial support from noncapital appropriations from Ellsworth County property tax levy. One hundred percent of these appropriations were used to support operations.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from noncapital appropriations – Ellsworth County is recognized in full in the year in which use is first permitted.

Income Taxes

As an essential government function of Ellsworth County, Kansas, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Medical Center has obtained 501(c)(3) tax status for purposes of participating in a Section 403(b) pension plan.

Note 2. Deposits

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

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

At June 30, 2024 and 2023, respectively, $1,163,397 and $1,451,273 of the Medical Center's bank balances of $1,413,397 and $1,712,060 were exposed to custodial credit risk as follows:

	2024	2023
Uninsured and collateral held by the pledging financial institution in the Medical Center's name and an irrevocable letter of credit	$ 1,163,397	$ 1,451,273

Summary of Carrying Values

The carrying values of deposits (excluding petty cash of $1,600 for the years ending June 30, 2024 and 2023) shown above are included in the balance sheets as follows:

	2024	2023
Cash	$ 828,925	$ 1,171,460
Noncurrent cash and investments	233,260	291,192
	$ 1,062,185	$ 1,462,652

As of June 30, 2024 and 2023, noncurrent cash and investments is comprised of cash.

Note 3. Patient Accounts Receivable

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2024 and 2023, consisted of:

	2024	2023
Medicare	$ 1,922,817	$ 935,128
Medicaid	175,038	112,544
Blue Cross	442,302	358,262
Other third-party payers	887,771	568,432
Patients	1,236,752	1,156,259
	4,664,680	3,130,625
Less allowance for uncollectible accounts	(1,654,049)	(1,063,830)
	$ 3,010,631	$ 2,066,795

Note 4. Capital, Lease and Subscription Assets

Capital assets activity for the years ended June 30 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 56,240	$ -	$ -	$ -	$ 56,240
Land improvements	484,772	-	-	349,618	834,390
Buildings	4,815,956.00	-	-	217,140	5,033,096
Fixed equipment	1,016,438	36,050	-	25,053	1,077,541
Moveable equipment	9,139,388	-	(1,481,356)	151,314	7,809,346
Projects in progress	228,376	624,895	-	(743,125)	110,146
	15,741,170	660,945	(1,481,356)	-	14,920,759
Less accumulated depreciation					
Land improvements	399,113	36,749	-	-	435,862
Buildings	3,535,360	177,734	-	-	3,713,094
Fixed equipment	704,219	58,859	-	-	763,078
Moveable equipment	6,646,692	667,838	(1,476,929)	-	5,837,601
	11,285,384	941,180	(1,476,929)	-	10,749,635
Capital Assets, Net	$ 4,455,786	$ (280,235)	$ (4,427)	$ -	$ 4,171,124

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 56,240	$ -	$ -	$ -	$ 56,240
Land improvements	484,772	-	-	-	484,772
Buildings	3,971,047	408,085	(133,332)	570,156	4,815,956
Fixed equipment	785,449	-	-	230,989	1,016,438
Moveable equipment	8,699,864	350,869	(4,799)	93,454	9,139,388
Projects in progress	524,857	598,118	-	(894,599)	228,376
	14,522,229	1,357,072	(138,131)	-	15,741,170
Less accumulated depreciation					
Land improvements	384,607	14,506	-	-	399,113
Buildings	3,446,861	145,906	(57,407)	-	3,535,360
Fixed equipment	664,320	39,899	-	-	704,219
Moveable equipment	5,947,290	707,611	(8,209)	-	6,646,692
	10,443,078	907,922	(65,616)	-	11,285,384
Capital Assets, Net	$ 4,079,151	$ 449,150	$ (72,515)	$ -	$ 4,455,786

Lease assets activity for the years ended June 30 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 31,271	$ -	$ -	$ -	$ 31,271
Building space	1,112,022	-	-	-	1,112,022
	1,143,293	-	-	-	1,143,293
Less accumulated amortization					
Equipment	15,662	5,806	-	-	21,468
Building space	308,824	102,613	-	-	411,437
	324,486	108,419	-	-	432,905
Lease Assets, Net	$ 818,807	$ (108,419)	$ -	$ -	$ 710,388

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 31,271	$ -	$ -	$ -	$ 31,271
Building space	1,112,022	-	-	-	1,112,022
	1,143,293	-	-	-	1,143,293
Less accumulated depreciation					
Equipment	9,528	6,134	-	-	15,662
Building space	205,882	102,942	-	-	308,824
	215,410	109,076	-	-	324,486
Lease Assets, Net	$ 927,883	$ (109,076)	$ -	$ -	$ 818,807

Subscription assets activity for the years ended June 30 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription asset	$ 1,430,186	$ -	$ -	$ -	$ 1,430,186
Less accumulated amortization					
Subscription asset	686,490	343,244	-	-	1,029,734
Subscription Asset, Net	$ 743,696	$ (343,244)	$ -	$ -	$ 400,452

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription asset	$ 1,430,186	$ -	$ -	$ -	$ 1,430,186
Less accumulated amortization					
Subscription asset	343,245	343,245	-	-	686,490
Subscription Asset, Net	$ 1,086,941	$ (343,245)	$ -	$ -	$ 743,696

Note 5. Long-Term Obligations

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

	2024					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Financed capital purchases	$ 320,644	$ -	$ (83,290)	$ 237,354	$ 53,256	$ 184,098
Lease liabilities	865,788	-	(100,343)	765,445	104,723	660,722
Subscription liabilities	773,232	-	(348,604)	424,628	362,753	61,875
	$ 1,959,664	$ -	$ (532,237)	$ 1,427,427	$ 520,732	$ 906,695

	2023					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Financed capital purchases	$ 101,359	$ 281,025	$ (61,740)	$ 320,644	$ 88,955	$ 231,689
Lease liabilities	962,814	-	(97,026)	865,788	101,263	764,525
Subscription liabilities	1,108,241	-	(335,009)	773,232	348,604	424,628
	$ 2,172,414	$ 281,025	$ (493,775)	$ 1,959,664	$ 538,822	$ 1,420,842

Financed Capital Purchases

Financed capital purchases are in the form of notes payable to bank. They have varying maturities through 2028. Principal and interest is payable monthly. Interest rate is 4.00%. The notes are secured by certain capital assets.

The debt service requirements on financed capital purchases as of June 30, 2024, are as follows:

Year Ending June 30	Total to Be Paid	Principal	Interest
2025	$ 70,053	$ 53,256	$ 16,797
2026	70,053	57,443	12,610
2027	70,053	61,960	8,093
2028	67,916	64,695	3,221

Lease Liabilities

The Medical Center leases certain building space and equipment, the terms of which expire in various years through 2032. Payments are based on the lease agreements in each specific lease.

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

Year Ending June 30	Total to Be Paid	Principal	Interest
2025	$ 132,991	$ 104,723	$ 28,268
2026	130,494	106,443	24,051
2027	127,392	107,573	19,819
2028	126,544	111,064	15,480
2029	126,544	115,567	10,977
2030-2032	230,582	220,075	10,507
	$ 874,547	$ 765,445	$ 109,102

Subscription Liabilities

The Medical Center has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2025. The subscription requires monthly payments of $23,000.

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

Year Ending June 30	Total to Be Paid	Principal	Interest
2025	$ 372,000	$ 362,753	$ 9,247
2026	62,000	61,875	125
	$ 434,000	$ 424,628	$ 9,372

Note 6. Professional Liability Claims

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

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of professional liability 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 Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7. Employee Health Claims

Substantially all of the Medical Center's employees and their dependents are eligible to participate in the Medical Center's employee health insurance plan. The Medical Center is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $45,000 per covered employee for 2024 and 2023. Claims in excess of $45,000 per covered employee or $1,000,000 aggregate Medical Center claims are covered through a reinsurance policy for 2024 and 2023. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

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

	2024	2023
Balance, beginning of year	$ 261,972	$ 111,958
Current year claims incurred and changes in estimates for claims incurred in prior years	1,243,299	1,339,314
Claims and expenses paid	(1,216,139)	(1,189,300)
Balance, end of year	$ 289,132	$ 261,972

Note 8. Net Patient Service Revenue

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

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

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

Approximately 70% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2024 and 2023. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 9. Charity Care

Charges excluded from revenue under the Medical Center's charity care policy were $41,607 and $39,902 for June 30, 2024 and 2023, respectively. The Medical Center's direct and indirect costs for services and supplies furnished under the Medical Center's charity care policy were approximately $31,000 and $33,000 in 2024 and 2023, respectively. The cost of charity care is estimated by applying the ratio of cost-to-gross charges to the gross uncompensated charges from the June 30, 2024 and 2023, filed Medicare cost reports.

Note 10. 340B Drug Pricing Program

The Medical Center participates in the 340B Drug Pricing Program (340B Program) enabling the Medical Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Medical Center recorded revenues of $1,869,080 and $2,439,114 for the years ending June 30, 2024 and 2023, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Medical Center recorded expenses of $1,578,018 and $2,025,315 for the years ending June 30, 2024 and 2023, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 11. Pension Plans

The Medical Center has a defined contribution plan (401(a) plan) in which all employees of the Medical Center become eligible for participation upon active employment. Employees were required by the plan to contribute 6.42% of their salary to the plan in 2024 and 2023. The employer is also required by the plan to contribute 6.42% of employee salary in 2024 and 2023. The Medical Center's contributions to the plan are 100% vested from the date of employee participation. The plan year begins on January 1 and ends December 31. Contributions made by plan members were $612,341 and $605,761 for the years ended June 30, 2024 and 2023, respectively. Contributions made by the Medical Center were $612,507 and $605,761 for the years ended June 30, 2024 and 2023, respectively.

In addition, the Medical Center has a 403(b) defined contribution plan in which all employees of the Medical Center become eligible for participation upon active employment. Employees are allowed to contribute any amount to this plan. The employer will match the first $12 per pay period contributed by the employee. The Medical Center's contributions to the plan are 100% vested from the date of employee participation. The plan year begins on January 1 and ends December 31. Contributions made by plan members were $259,493 and $244,193 for the years ended June 30, 2024 and 2023, respectively. Contributions made by the Medical Center were $30,363 and $32,009 for the years ended June 30, 2024 and 2023, respectively.

The Medical Center provides one additional defined contribution plan (457 plan). The plan year begins on January 1 and ends December 31. Contributions made by plan members were $94,494 and $102,598 for the years ended June 30, 2024 and 2023, respectively. The Medical Center does not make contributions to the 457 plan.

Note 12. Services Agreement

The Board has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including data processing and accounting services. The terms of the agreements vary from one to seven years and can be canceled with 60 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Medical Center for the years ended June 30, 2024 and 2023, were $816,561 and $816,347, respectively. Amounts included in accounts payable and owed to GPHA were $147,319 and $69,286 at June 30, 2024 and 2023, respectively.

Note 13. COVID-19 Pandemic & *CARES Act* Funding

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

Provider Relief Fund

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

The Medical Center accounts for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Medical Center's operating revenues and expenses through June 30, 2024 and 2023, the Medical Center recognized $0 and $239,148, respectively, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenues – *CARES Act* funding in the statements of revenues, expenses and changes in net position.

Other COVID-19 Grant Funding

During the year ended June 30, 2023, the Medical Center received $140,151 related to the Increase the Reach Grant, which was part of the federal government's response to the pandemic. The Medical Center recognized $114,697 and $25,454 of the funding for the year ended June 30, 2024 and 2023, respectively. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 14. Contingencies

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Notes 1* and *6*.

Employee Health Claims

Estimates related to the accrual for employee health claims are described in *Notes 1* and *7*.

General Litigation

The Medical Center is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by commercial insurance. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net assets and cash flows of the Medical Center. Events could occur that would change this estimate materially in the near term.