Rawlins County Health Center
A Component Unit of Rawlins County, Kansas

Independent Auditor's Report, and Financial Statements

June 30, 2023 and 2022



Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
June 30, 2023 and 2022

Contents

Independent Auditor's Report **1**

Financial Statements

Balance Sheets 4
Statements of Financial Position – Rawlins County Health Center Foundation 5
Statements of Revenues, Expenses and Changes in Net Position 6
Statements of Activities – Rawlins County Health Center Foundation 7
Statements of Cash Flows 9
Notes to Financial Statements 11

Supplementary Information

Comparison of Revenues and Expenses (Cash Basis) – Actual to Tax Budget 32

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Independent Auditor's Report

Board of Trustees
Rawlins County Health Center
Atwood, Kansas

Opinions

We have audited the financial statements of Rawlins County Health Center, a component unit of Rawlins County, Kansas, and Rawlins County Health Center Foundation, its discretely presented component unit, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Rawlins County Health 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 Rawlins County Health Center and of its discretely presented component unit as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Rawlins County Health 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 Rawlins County Health 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Supplementary Information

Our audit as conducted for the purpose of forming opinions on the financial statements that collectively comprise Rawlins County Health Center's basic financial statements. The Comparison of Revenues and Expenses (Cash Basis) – Actual to Tax Budget 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 Comparison of Revenues and Expenses (Cash Basis) – Actual to Tax Budget is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FORVIS, LLP

Wichita, Kansas
January 9, 2024

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Balance Sheets
June 30, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash and cash equivalents	$ 8,157,766	$ 10,124,561
Patient accounts receivable, net of allowance; 2023 - $1,105,553, 2022 - $1,087,208	981,900	1,189,231
Estimated amounts due from Medicare	313,000	1,007,000
Property taxes receivable	52,903	53,293
Supplies	207,432	213,385
Prepaid expenses and other	130,079	106,317
Total current assets	9,843,080	12,693,787
Noncurrent Cash and Investments		
Designated by Board of Trustees for capital acquisitions	2,875,293	1,996,311
Long-term certificates of deposit	249,000	-
Held by Foundation for capital acquisitions	1,131,735	1,046,559
Held by trustee for debt service	662,676	629,076
Time restricted trust assets	21,835	23,293
Irrevocable trust	506,517	487,702
	5,447,056	4,182,941
Capital Assets, Net	5,388,133	5,546,571
Lease Assets, Net	422,574	510,389
Total assets	$ 21,100,843	$ 22,933,688

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2023	2022
Current Liabilities		
Current maturities of long-term debt	$ 119,665	$ 133,003
Current portion of lease liabilities	100,715	97,501
Accounts payable	411,170	393,175
Salaries payable	41,295	88,202
Payroll taxes payable	20,122	33,857
Vacation benefits payable	173,777	183,760
Accrued interest payable	144,141	146,839
Advance from Medicare	-	2,138,658
Unearned revenue	-	421,248
Total current liabilities	1,010,885	3,636,243
Other Liabilities		
Long-term debt	6,057,762	6,177,427
Lease liabilities	303,715	404,430
Total other liabilities	6,361,477	6,581,857
Total liabilities	7,372,362	10,218,100
Deferred Inflows of Resources - Property Taxes	492,233	486,376
Net Position		
Net investment in capital and lease assets	(771,150)	(755,401)
Restricted - expendable for		
Debt service	662,676	629,076
Capital acquisitions	1,131,735	1,046,559
Restricted - nonexpendable for		
Time restricted trust	21,835	23,293
Irrevocable trust	506,517	487,702
Unrestricted	11,684,635	10,797,983
Total net position	13,236,248	12,229,212
Total liabilities, deferred inflows of resources and net position	$ 21,100,843	$ 22,933,688

Rawlins County Health Center Foundation

A Discretely Presented Component Unit of Rawlins County Health Center

Statements of Financial Position

June 30, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash	$ -	$ 5,976
Restricted cash	401,574	382,449
Short-term investments	925,111	641,319
Notes receivable from Health Center	-	15,672
Total assets	$ 1,326,685	$ 1,045,416

Liabilities and Net Assets

Current Liabilities		
Outstanding checks in excess of bank balance	$ 194,360	$ -
Total liabilities	194,360	-
Net Assets		
Without donor restrictions	730,751	662,967
With donor restrictions	401,574	382,449
Total net assets	1,132,325	1,045,416
Total liabilities and net assets	$ 1,326,685	$ 1,045,416

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2023 - $25,589, 2022 - $(187,618)	$ 8,280,488	$ 8,067,744
Prairie Plaza	159,877	120,145
340B drug program	868,782	586,971
Other	462,330	344,742
Total operating revenues	9,771,477	9,119,602
Operating Expenses		
Salaries and wages	3,580,617	3,366,355
Employee benefits	930,084	846,573
Purchased services and professional fees	3,210,881	2,483,189
Supplies and other	2,130,412	1,890,603
Depreciation	706,448	767,981
Amortization	87,815	54,812
Total operating expenses	10,646,257	9,409,513
Operating Loss	(874,780)	(289,911)
Nonoperating Revenues (Expenses)		
Property taxes	965,467	982,738
Investment income	218,047	16,264
Interest expense	(232,570)	(231,681)
Loss on sale of capital assets	-	(51,453)
Insurance recoveries on capital assets	-	115,644
Provider Relief Funds (*CARES Act*)	421,248	1,577,912
Noncapital grants and gifts	284,662	349,879
Total nonoperating revenues	1,656,854	2,759,303
Excess of Revenue Over Expenses Before Capital Grants and Gifts	782,074	2,469,392
Capital Grants and Gifts	224,962	357,355
Increase in Net Position	1,007,036	2,826,747
Net Position, Beginning of Year	12,229,212	9,402,465
Net Position, End of Year	$ 13,236,248	$ 12,229,212

Rawlins County Health Center Foundation

A Discretely Presented Component Unit of Rawlins County Health Center

Statements of Activities

Years Ended June 30, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 182,275	$ 19,125	$ 201,400
Investment return	17,003	-	17,003
Total revenues, gains and other support	199,278	19,125	218,403
Expenses			
Contributions to Health Center	121,730	-	121,730
Other	9,764	-	9,764
Total expenses	131,494	-	131,494
Change in Net Assets	67,784	19,125	86,909
Net Assets, Beginning of Year	662,967	382,449	1,045,416
Net Assets, End of Year	$ 730,751	$ 401,574	$ 1,132,325

Rawlins County Health Center Foundation

A Discretely Presented Component Unit of Rawlins County Health Center

Statements of Activities (Continued)

Years Ended June 30, 2023 and 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 327,493	$ 21,845	$ 349,338
Investment return	(5,626)	-	(5,626)
Total revenues, gains and other support	321,867	21,845	343,712
Expenses			
Contributions to Health Center	81,448	-	81,448
Other	11,070	-	11,070
Total expenses	92,518	-	92,518
Change in Net Assets	229,349	21,845	251,194
Net Assets, Beginning of Year	433,618	360,604	794,222
Net Assets, End of Year	$ 662,967	$ 382,449	$ 1,045,416

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 7,043,161	$ 6,175,422
Payments to suppliers and contractors	(6,287,624)	(5,460,823)
Payments to employees	(3,637,507)	(3,399,395)
Other receipts (payments), net	1,069,741	(207,806)
Net cash used in operating activities	(1,812,229)	(2,892,602)
Cash Flows From Noncapital Financing Activities		
Property taxes supporting operations	971,714	965,955
Provider Relief Funds (*CARES Act*)	421,248	1,577,912
Noncapital grants and gifts	284,662	349,879
Net cash provided by noncapital financing activities	1,677,624	2,893,746
Cash Flows From Capital and Related Financing Activities		
Insurance recoveries on capital assets	-	115,644
Purchase of capital assets	(548,010)	(255,884)
Principal paid on long-term debt	(133,003)	(162,850)
Interest paid on long-term debt	(217,569)	(225,192)
Capital grants and gifts	139,786	105,018
Principal paid on leases payable	(97,501)	(171,323)
Interest paid on leases payable	(15,001)	(6,489)
Net cash used in capital and related financing activities	(871,298)	(601,076)
Cash Flows From Investing Activities		
Interest income received	200,690	41,722
Change in certificates of deposit	(249,000)	249,000
Net cash provided by (used in) investing activities	(48,310)	290,722
Decrease in Cash and Cash Equivalents	(1,054,213)	(309,210)
Cash and Cash Equivalents, Beginning of Year	12,749,948	13,059,158
Cash and Cash Equivalents, End of Year	$ 11,695,735	$ 12,749,948
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 8,157,766	$ 10,124,561
Noncurrent cash	3,537,969	2,625,387
	$ 11,695,735	$ 12,749,948

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (874,780)	$ (289,911)
Depreciation	706,448	767,981
Amortization	87,815	54,812
Provision for uncollectible accounts	25,589	(187,618)
Changes in operating assets and liabilities		
Patient accounts receivable, net	181,742	174,442
Estimated amounts due from and to Medicare	694,000	(735,000)
Supplies	5,953	24,373
Other assets	(23,762)	8,894
Accounts payable and accrued expenses	(55,328)	(306,765)
Advance from Medicare	(2,138,658)	(1,144,146)
Unearned revenue	(421,248)	(1,259,664)
Net cash used in operating activities	$ (1,812,229)	$ (2,892,602)
Noncash Investing, Capital and Financing Activities		
Lease obligations incurred for lease assets	$ -	$ 519,954
Increase (decrease) in fair value of the irrevocable trust and the time restricted trust	$ 17,357	$ (25,458)

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Notes to Financial Statements
June 30, 2023 and 2022

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

Nature of Operations and Reporting Entity

Rawlins County Health Center (Health Center) is an acute care hospital located in Atwood, Kansas. The Health Center is a component unit of Rawlins County (County) and is governed by an elected Board of Trustees. The Health Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Rawlins County area.

Foundation

Rawlins County Health Center Foundation (Foundation) is a legally separate, tax-exempt component unit of the Health Center. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Health Center in support of its programs. The three to ten member board of the Foundation is self-perpetuating and consists of area business and community members. The Health Center appoints up to two members of the Foundation board. The remaining members are elected by a majority of the current members.

Although the Health Center does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are used for the benefit of the Health Center. Because of the relationship and level of support the Health Center receives from the Foundation, the Foundation is considered a component unit of the Health Center and is discretely presented in the Health Center's financial statements.

During the years ended June 30, 2023 and 2022, the Foundation distributed $121,730 and $81,448, respectively, to the Health Center.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the Health Center's financial reporting entity for these differences.

Basis of Accounting and Presentation

The financial statements of the Health 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 are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, such as property taxes, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Health 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 deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted of certificates of deposit.

Certificates of Deposit

Certificates of deposit are carried at amortized cost. Certificates of deposit with original maturities of less than one year are reported as current assets. Those with original maturities greater than one year are reported as noncurrent investments.

Budgetary Principles

The Health Center is required by state statutes to adopt an annual budget for the unrestricted funds on or before August 25 for the ensuing year. The Health Center'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 expenditures of the fund which is prepared on a calendar year basis.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted unrestricted funds, representing purchase orders, contracts and other commitments, are reported as a charge to the current budget year. All unencumbered appropriations lapse at the end of the year.

Patient Accounts Receivable

The Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Health 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 or market. Costs are determined using the first-in, first-out (FIFO) method.

Noncurrent Cash and Investments

Noncurrent cash and investments include designated assets set aside by the Board of Trustees for capital acquisitions, 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 restricted for capital acquisitions, restricted for debt service, time restricted trust assets and an irrevocable trust.

Investments and Investment Return - Foundation

All other investments are carried at fair value. Fair value is determined using quoted market prices. Investment return includes dividend and interest income, realized and unrealized gains and losses on investments carried at fair value.

Capital Assets

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

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

Capital and Lease Asset Impairment

The Health Center evaluates capital and lease 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 or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended June 30, 2023 and 2022.

Subscription Assets

Effective July 1, 2022, the Health Center adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the 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. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. The Health Center's SBITA's that were in effect during the years ended June 30, 2023 and 2022, are immaterial to the financial statements, as a result there are no subscription assets or subscription liabilities recorded on the balance sheets.

Compensated Absences

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

Risk Management

The Health 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; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and dental claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Deferred Inflows of Resources

The Health Center reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied for use in future periods.

Net Position

Net position of the Health Center is classified in four components on its balance sheets.

- Net investment in capital and lease assets consists of capital and lease assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Health Center, including amounts deposited with trustees as required by revenue bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Health Center, such as permanent endowments. The time restricted trust assets have a time restriction that expires in year 2026.
- 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 Health Center has agreements with third-party payers that provide for payments to the Health 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 Health 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 Health Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Property Taxes

The Health Center received approximately 8% in 2023 and 2022 of its financial support from property taxes. One hundred percent of these funds were used to support operations in both years.

Property taxes are levied in November of one year and are received beginning in January of the following year. Property tax revenue is recognized in full in the year following the year the taxes are levied, which is the year in which use is first permitted.

Provider Relief Funds (CARES Act)

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

Income Taxes

As an essential government function of the County, the Health 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 Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Health 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, 2023 and 2022, respectively, $11,679,593 and $12,463,298 of the Health Center's bank balances of $11,944,534 and $12,980,634 were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and collateral held by pledging financial institution	$ 11,679,593	$ 12,463,298

Summary of Carrying Values

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

	2023	2022
Carrying value		
Deposits	$ 11,944,735	$ 12,749,948
Included in the following balance sheet captions		
Cash and cash equivalents	$ 8,157,766	$ 10,124,561
Noncurrent cash and investments		
Designated by Board of Trustees for capital acquisitions	2,875,293	1,996,311
Long-term certificates of deposit	249,000	-
Held by trustee for debt service	662,676	629,076
	$ 11,944,735	$ 12,749,948

Foundation

At June 30, 2023 and 2022, the Foundation's cash accounts exceeded federally insured limits by approximately $152,000 and $138,000, respectively.

	2023	2022
Foundation cash	$ 401,574	$ 388,425

Note 3: Patient Accounts Receivable

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

	2023	2022
Medicare	$ 605,516	$ 560,450
Medicaid	27,721	82,839
Blue Cross	124,787	127,989
Other third-party payers	368,161	309,697
Self-pay	961,268	1,195,464
	2,087,453	2,276,439
Less provision for uncollectible accounts	(1,105,553)	(1,087,208)
Patient accounts receivable, net	$ 981,900	$ 1,189,231

Note 4: Investments and Investment Return - Foundation

Investments at June 30, 2023 and 2022, consisted of the following:

	2023	2022
Money market funds	$ 123,498	$ 641,319
Exchange traded funds - fixed income	801,613	-
	$ 925,111	$ 641,319

Total investment return is comprised of the following:

	2023	2022
Interest and dividend income	$ 13,826	$ 882
Net realized and unrealized gains (losses) on investments reported at fair value	3,177	(6,508)
	$ 17,003	$ (5,626)

Note 5: Disclosures About Fair Value of Assets – Foundation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

		Fair Value Measurements Using		
2023	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 123,498	$ 123,498	$ -	$ -
Exchange traded funds				
Fixed Income	801,613	801,613	-	-
	$ 925,111	$ 925,111	$ -	$ -

2022	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 641,319	$ 641,319	$ -	$ -
	$ 641,319	$ 641,319	$ -	$ -

Following is a is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include all the investments held by the Foundation and consist of equity securities and treasury securities.

Note 6: Capital and Lease Assets

Capital assets activity for the years ended June 30 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 14,705	$ -	$ -	$ -	$ 14,705
Land improvements	1,010,644	-	-	-	1,010,644
Buildings	10,425,214	191,000	-	-	10,616,214
Fixed equipment	2,305,153	-	-	-	2,305,153
Moveable equipment	2,828,163	309,144	-	-	3,137,307
Vehicles	29,555	-	-	-	29,555
Construction in progress	-	47,866	-	-	47,866
	16,613,434	548,010	-	-	17,161,444
Less accumulated depreciation					
Land improvements	803,027	45,616	-	-	848,643
Buildings	6,359,521	379,258	-	-	6,738,779
Fixed equipment	1,802,601	156,421	-	-	1,959,022
Moveable equipment	2,101,714	125,153	-	-	2,226,867
	11,066,863	706,448	-	-	11,773,311
Capital Assets, Net	$ 5,546,571	$ (158,438)	$ -	$ -	$ 5,388,133

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 14,705	$ -	$ -	$ -	$ 14,705
Land improvements	1,010,644	-	-	-	1,010,644
Buildings	10,425,214	-	-	-	10,425,214
Fixed equipment	2,285,208	9,995	-	9,950	2,305,153
Moveable equipment	2,368,486	44,053	-	415,624	2,828,163
Vehicles	-	29,555	-	-	29,555
Construction in progress	425,574	-	-	(425,574)	-
	16,529,831	83,603	-	-	16,613,434
Less accumulated depreciation					
Land improvements	753,168	49,859	-	-	803,027
Buildings	5,936,857	422,664	-	-	6,359,521
Fixed equipment	1,663,268	139,333	-	-	1,802,601
Moveable equipment	1,945,589	156,125	-	-	2,101,714
	10,298,882	767,981	-	-	11,066,863
Capital Assets, Net	$ 6,230,949	$ (684,378)	$ -	$ -	$ 5,546,571

Lease assets activity for the years ended June 30 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 534,638	$ -	$ -	$ -	$ 534,638
	534,638	-	-	-	534,638
Less accumulated amortization					
Moveable equipment	24,249	87,815	-	-	112,064
	24,249	87,815	-	-	112,064
Lease Assets, Net	$ 510,389	$ (87,815)	$ -	$ -	$ 422,574

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 196,529	$ 519,954	$ (181,845)	$ -	$ 534,638
	196,529	519,954	(181,845)	-	534,638
Less accumulated amortization					
Moveable equipment	118,954	54,812	(149,517)	-	24,249
	118,954	54,812	(149,517)	-	24,249
Lease Assets, Net	$ 77,575	$ 465,142	$ (32,328)	$ -	$ 510,389

Note 7: Irrevocable Trust

The Health Center is an income beneficiary of an irrevocable trust controlled by an unrelated third-party trustee. The beneficial interest in the assets of this trust is included in the Health Center's financial statements as restricted, non-expendable net position. Income is distributed in accordance with the trust documents and is included in noncapital grants and gifts. The estimated value of the expected future cash flows is $506,517 and $487,702 at June 30, 2023 and 2022, respectively, which represents the Health Center's share of the fair value of the trust assets. Trust income distributed to the Health Center was $1,554 and $9,154 for the years ended June 30, 2023 and 2022, respectively.

The trust is invested primarily in mutual funds and real estate in Rawlins County, Kansas.

Note 8: Medical Malpractice Coverage and Claims

The Health Center purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides for $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 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 Health Center's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 9: Long-term Obligations

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

	2023					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Series 2012 Revenue Bonds	$ 6,293,045	$ -	$ 115,618	$ 6,177,427	$ 119,665	$ 6,057,762
Note payable - Foundation	15,672	-	15,672	-	-	-
Financed capital purchases	1,713	-	1,713	-	-	-
Lease liabilities	501,931	-	97,501	404,430	100,715	303,715
	$ 6,812,361	$ -	$ 230,504	$ 6,581,857	$ 220,380	$ 6,361,477

	2022					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Series 2012 Revenue Bonds	$ 6,404,754	$ -	$ 111,709	$ 6,293,045	$ 115,618	$ 6,177,427
Note payable - Foundation	47,017	-	31,345	15,672	15,672	-
Financed capital purchases	21,509	-	19,796	1,713	1,713	-
Lease liabilities	153,300	519,954	171,323	501,931	97,501	404,430
	$ 6,626,580	$ 519,954	$ 334,173	$ 6,812,361	$ 230,504	$ 6,581,857

Series 2012 Revenue Bonds

In November 2010, the County issued 1.75% Kansas Hospital Revenue Bond Anticipation Refunding and Improvement Bonds, Series 2010B, totaling $7,000,000 maturing on November 1, 2012. The Series 2010B Revenue Bonds were used to provide funds for renovation projects to the Health Center and for redemption of $1,100,000 of the Series 2010 Revenue Bonds. The County issued Kansas Hospital Refunding Bonds, Series 2012, dated October 26, 2012, to provide permanent funding for the project. The Series 2012 Bonds total $7,000,000 and have maturity dates through October 26, 2052. The United States Department of Agriculture – Rural Development purchased the Series 2012 Bonds in their entirety on October 31, 2012.

The indenture agreements require the Health Center to comply with certain restrictive covenants including minimum insurance coverage and maintaining a historical debt-service coverage ratio of at least 1.20.

Under the terms of the bond indentures, the Health Center is required to maintain certain revenue bond funds. These funds, which consist entirely of cash, are included in noncurrent cash and investments – held by trustee for debt service in the accompanying balance sheets and consist of the following at June 30:

	2023	2022
Debt service	$ 253,425	$ 253,425
Bond reserve funds	409,251	375,651
	$ 662,676	$ 629,076

The debt service requirements of revenue bonds payable as of June 30, 2023, are as follows:

Year Ending June 30,	Total	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest
2024	$ 335,875	$ 119,665	$ 216,210
2025	335,875	123,853	212,022
2026	335,875	128,188	207,687
2027	335,875	132,675	203,200
2028	335,875	137,318	198,557
2029-2033	1,679,374	762,137	917,237
2034-2038	1,679,375	905,180	774,195
2039-2043	1,679,375	1,075,070	604,305
2044-2048	1,679,376	1,276,847	402,529
2049-2053	1,679,376	1,516,494	162,882
	$ 10,076,251	$ 6,177,427	$ 3,898,824

Note Payable - Foundation

In November 2017, the Health Center entered into a note payable with the Foundation in the amount of $156,722 and interest at 0%. Proceeds of the note were used to fund building improvements. Payments were due monthly through December 31, 2022.

Financed Capital Purchases

Financed capital purchases are in the form of a note payable to vendor, with a maturity date of July 2022. Principal and interest is payable monthly. The interest rate is 7.00%. The note is secured by certain capital assets.

Lease Liabilities

The Health Center leases equipment, the terms of which expire in various years through 2027. 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, 2023:

Year Ending June 30,	Total	Lease Liabilities Principal	Lease Liabilities Interest
2024	$ 112,502	$ 100,715	$ 11,787
2025	112,502	104,097	8,405
2026	112,501	107,560	4,941
2027	93,448	92,058	1,390
	$ 430,953	$ 404,430	$ 26,523

Note 10: Employee Health Claims

Substantially all of the Health Center's employees and their dependents are eligible to participate in the Health Center's employee health insurance plan. The Health Center is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $50,000 per covered employee. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. 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 claim experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term.

Activity in the Health Center's accrued employee health claims liability during 2023 and 2022 is summarized as follows:

	2023	2022
Balance, beginning of year	$ 59,822	$ 76,822
Current year claims incurred and changes in estimates for claims incurred in prior years	233,963	259,431
Claims and expenses paid	(233,673)	(276,431)
Balance, end of year	$ 60,112	$ 59,822

Note 11: Net Patient Service Revenue

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

Medicare. The Health Center is recognized as a critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Health Center is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health 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 82% and 74% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health 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 Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 12: Management Agreement

The Health Center has contracted with Centura Health Corporation (Centura) for various services, including oversight, providing a hospital administrator and certain other financial services. The initial contract term was for a period of one year through September 30, 2018, with a first renewal term of three years through September 30, 2021. Following the first renewal term, the contract shall thereafter continue for successive one-year terms unless cancelled by either party at least 90 days before the end of the term. Fees incurred for the various services provided by Centura to the Health Center for the years ended June 30, 2023 and 2022, were $103,583 and $95,799, respectively. Amounts due to Centura at June 30, 2023 and 2022, were $29,251 and $30,442, respectively.

Note 13: 340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues of $868,782 and $586,971 for the years ending June 30, 2023 and 2022, respectively. The Health Center recorded expenses of $385,528 and $477,828 for the years ending June 30, 2023 and 2022, respectively, which is included in supplies and other in the accompanying statements of revenue and expenses and changes in net position. This program is overseen by the Health Resources and Service 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 340B Program could occur in the near term.

Note 14: Pension Plans

Defined Contribution Plan

The Health Center maintains a contributory pension plan which requires mandatory contributions from all participating employees. Benefits are funded by a money purchase annuity with an insurance company. Employee and employer contributions are computed at 8% of annual eligible compensation respectively. All contributions are 100% vested upon participation in the plan. Contributions actually made by plan members and the Health Center aggregated $282,220 and $295,843 during 2023 and $272,241 and $265,237 during 2022, respectively.

Deferred Compensation Plan

The Health Center provides a deferred compensation plan (457 Plan) to substantially all employees of the Health Center. The employees may contribute up to 100% of their salary to the 457 Plan. The employees' salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are 100% vested in the contributions they choose to defer. Contributions from employees to the 457 Plan were $43,336 and $40,148 for the years ended June 30, 2023 and 2022, respectively. The Health Center does not contribute to the 457 Plan.

Note 15: 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.

While some of these policies have eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

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

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

Provider Relief Fund

The Health Center received $0 and $321,248 from the *CARES Act* Provider Relief Fund for the years ended June 30, 2023 and 2022, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Health 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 Health Center is accounting for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions required 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 Health Center's operating revenues and expenses through June 30, 2023 and 2022, the Health Center recognized $421,248 and $1,577,912, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $0 and $421,248 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended June 30, 2023 and 2022, respectively.

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

Medicare Accelerated and Advanced Payment Program

During fiscal year 2020, the Health Center requested accelerated Medicare payments as provided for in the *CARES Act*, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withheld amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended June 30, 2020, the Health Center received $3,447,850 from these accelerated Medicare payment requests. During the years ended June 30, 2023 and 2022, Medicare applied $2,138,658 and $1,144,146, respectively, from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption Advance from Medicare in the accompanying balance sheets. As of June 30, 2023, all Medicare accelerated payments have been recouped.

Other COVID-19 Funding

In November 2021, the Health Center received and recognized $95,514 from a distribution from the Frontline Hospital Employee Retention Plan Program. Funding under this program was utilized by the Health Center to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. 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.

During the years ended June 30, 2023 and 2022, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Health Center received and recognized $189,334 and $68,033 related to the SHIP grant for the years ended June 30, 2023 and 2022, 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.

Supplementary Information

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Comparison of Revenues and Expenses (Cash Basis) Actual to Tax Budget
Calendar Year Ended December 31, 2022

	Actual	Tax Budget	Actual Over (Under) Budget
Net patient service revenue	$ 8,187,939	$ 8,650,000	$ (462,061)
Other revenue	839,188	600,000	239,188
Total operating revenue	9,027,127	9,250,000	(222,873)
Operating expenses	9,954,894	11,343,350	(1,388,456)
Operating loss	(927,767)	(2,093,350)	1,165,583
Property tax revenue	986,217	928,629	57,588
Other nonoperating revenues	464,882	304,000	160,882
Total nonoperating revenues	1,451,099	1,232,629	218,470
Excess (deficiency) of revenues over expenses	$ 523,332	$ (860,721)	$ 1,384,053