Independent Auditor's Report and Financial Statements
Wilson County Hospital d/b/a Wilson Medical Center
December 31, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Wilson County Hospital d/b/a Wilson Medical Center

Opinions

We have audited the accompanying financial statements of the business-type activities of Wilson County Hospital d/b/a Wilson Medical Center (the "Medical Center") and the discretely presented component unit Wilson Medical Center Foundation (the "Foundation") as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and the discretely presented component unit of the Medical Center as of December 31, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

Emphasis of Matters

As discussed in Note A18 to the financial statements, in 2024 the Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections,* and Statement No. 101, *Compensated Absences.* Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

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misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Accounting principles generally accepted in the United States of America require that the pension and other post-retirement information on pages 37 through 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
April 17, 2025

Financial Statements

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Net Position
December 31, 2024 and 2023

Assets and Deferred Outflows of Resources

	2024	2023
Current assets		
Cash and cash equivalents	$ 892,474	$ 2,217,403
Assets limited as to use	1,318,029	1,272,235
Patient accounts receivable, net for allowance for uncollectible accounts of $580,802 in 2024 and $481,954 in 2023	1,880,917	1,795,305
Estimated third-party payor settlements	105,000	
Other receivables	162,926	177,980
Inventories	252,401	245,625
Prepaid expenses	204,091	199,342
Total current assets	4,815,838	5,907,890
Capital assets		
Capital assets not being depreciated	149,406	235,548
Depreciable capital assets, net of accumulated depreciation	5,463,226	6,222,242
Leased assets, net of accumulated amortization	337,903	394,343
Right-of-use subscription IT assets, net of accumulated amortization	629,468	1,032,541
Total capital assets	6,580,003	7,884,674
Total assets	11,395,841	13,792,564
Deferred outflows of resources		
Pension	2,265,141	2,897,976
Other post-employment benefits	33,173	40,067
Total deferred outflows of resources	2,298,314	2,938,043
Total assets and deferred outflows of resources	$ 13,694,155	$ 16,730,607

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)

	2024	2023
Current liabilities		
Current portion of long-term debt	$ 7,534,359	$ 8,013,719
Current portion of lease liabilities	168,763	163,708
Current portion of subscription IT liabilities	368,448	358,022
Line of credit	192,871	
Accounts payable and other liabilities	800,026	912,098
Accrued interest payable	125,284	141,713
Estimated third-party payor settlements	50,000	275,503
Accrued salaries and benefits	358,637	503,660
Accrued compensated absences	492,243	442,647
Accrued medical claims payable	148,000	148,000
Total current liabilities	10,238,631	10,959,070
Noncurrent liabilities		
Lease liabilities, less current portion	103,676	272,439
Subscription IT liabilities, less current portion	540,699	909,147
Accrued compensated absences	212,000	223,000
Other post-employment liability	69,816	79,101
Net pension liability	8,287,299	8,246,487
Total noncurrent liabilities	9,213,490	9,730,174
Total liabilities	19,452,121	20,689,244
Deferred inflows of resources		
Pension	523,524	661,607
Other post-employment benefits	108,615	108,762
Total deferred inflows of resources	632,139	770,369
Net position (deficit)		
Net deficit invested in capital assets	(2,454,097)	(1,974,075)
Restricted - expendable for debt service	1,318,029	1,272,235
Unrestricted (deficit)	(5,254,037)	(4,027,166)
Total net position (deficit)	(6,390,105)	(4,729,006)
Total liabilities, deferred inflows of resources, and net position (deficit)	$ 13,694,155	$ 16,730,607

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Revenues, Expenses, and Changes in Net Deficit
Years ended December 31, 2024 and 2023

	2024	2023
Operating revenues		
Net patient service revenue	$ 18,151,738	$ 17,281,842
Other	1,500,818	1,308,960
Total operating revenues	19,652,556	18,590,802
Operating expenses		
Salaries and wages	9,633,319	9,456,800
Employee benefits	2,637,073	2,546,236
Actuarial adjustment to pension and OPEB expenses	533,026	573,314
Supplies and other	7,334,060	6,882,286
Depreciation and amortization	1,386,027	1,400,773
Total operating expenses	21,523,505	20,859,409
Operating loss	(1,870,949)	(2,268,607)
Nonoperating revenues (expenses)		
County appropriations - Wilson County	470,306	493,222
Investment income	141,111	80,729
Interest expense	(473,050)	(487,506)
Noncapital grants and contributions	14,927	48,413
Gain on involuntary conversion		411,073
Other net	11,045	
Total nonoperating revenues (expenses)	164,339	545,931
Excess of expenses over revenues before capital grants and contributions	(1,706,610)	(1,722,676)
Capital grants and contributions	45,511	399,516
Change in net position	(1,661,099)	(1,323,160)
Net position at beginning of year		
As previously reported	(4,406,006)	(3,082,846)
Prior period adjustment for change in accounting principle	(323,000)	(323,000)
As restated	(4,729,006)	(3,405,846)
Net position at end of year	$ (6,390,105)	$ (4,729,006)

The accompanying notes are an integral part of these statements.

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Cash Flows
Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 17,735,623	$ 17,344,484
Payments to or on behalf of employees	(12,376,819)	(11,842,161)
Payments for supplies and services	(7,457,657)	(6,803,873)
Other receipts and payments	1,515,963	1,269,597
Net cash used by operating activities	(582,890)	(31,953)
Cash flows from noncapital financing activities		
Noncapital appropriations - Wilson County	470,215	462,577
Proceeds from line of credit	650,000	
Principal payments on line of credit	(457,129)	
Noncapital grants and contributions	29,607	48,413
Net cash provided by noncapital financing activities	692,693	510,990
Cash flows from capital and related financing activities		
Acquisition of capital assets	(95,502)	(530,008)
Insurance and proceeds from sale of capital assets	10,511	411,073
Principal payments on long-term debt	(475,000)	(525,000)
Principal payments on lease liabilities	(163,708)	(74,574)
Principal payments on subscription IT liabilities	(358,022)	(348,039)
Interest paid on capital related activities	(493,839)	(514,274)
Capital grants and contributions received	45,511	225,481
Net cash used by capital and related financing activities	(1,530,049)	(1,355,341)
Cash flows from investing activities		
Change in assets limited as to use	(45,794)	(12,038)
Investment income received	141,111	53,558
Net cash provided by investing activities	95,317	41,520
Net change in cash and cash equivalents	(1,324,929)	(834,784)
Cash and cash equivalents at beginning of year	2,217,403	3,052,187
Cash and cash equivalents at end of year	$ 892,474	$ 2,217,403

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Cash Flows - Continued
Years ended December 31, 2024 and 2023

	2024	2023
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (1,870,949)	$ (2,268,607)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization	1,386,027	1,400,773
Provision for bad debts	1,124,687	932,964
Changes in		
Accounts receivable	(1,210,299)	(1,312,935)
Other receivables	15,145	(39,363)
Inventories	(6,776)	51,728
Prepaid expenses	(4,749)	(59,203)
Accounts payable and accrued expenses	(218,499)	246,763
Estimated third-party payor settlements	(330,503)	442,613
Net pension liability, deferred inflows, and deferred outflows related to defined benefit pension plan	533,026	573,314
Net cash used by operating activities	$ (582,890)	$ (31,953)
Supplemental schedule of noncash investing and financing activities		
Lease liability incurred	$ -	$ 458,382

The accompanying notes are an integral part of these statements.

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Financial Position - Discretely Presented Component Unit
Wilson Medical Center Foundation
December 31, 2024 and 2023

Assets

	2024	2023
Assets		
Cash and cash equivalents	$ 526,283	$ 469,384
Restricted cash and cash equivalents	418,900	407,535
Property and equipment, net of accumulated depreciation of $873,444 in 2024 and $799,981 in 2023	1,047,053	1,120,516
Total assets	$ 1,992,236	$ 1,997,435

Liabilities and Net Assets

Liabilities		
Long-term debt	$ 214,129	$ 279,643
Net assets		
Without donor restrictions	1,359,207	1,287,757
With donor restrictions	418,900	430,035
Total net assets	1,778,107	1,717,792
Total liabilities and net assets	$ 1,992,236	$ 1,997,435

The accompanying notes are an integral part of these statements.

Wilson County Hospital d/b/a Wilson Medical Center
Statements of Activities - Discretely Presented Component Unit
Wilson Medical Center Foundation
Years ended December 31, 2024 and 2023

	2024	2023
Changes in net assets without donor restrictions		
Revenues, gains, and other support		
Medical office building rent	$ 133,200	$ 130,450
Contributions of cash and other financial assets	43,566	34,240
Contribution of nonfinancial assets	21,528	69,783
Investment income	17,065	6,090
Total revenues, gains, and other support without donor restrictions	215,359	240,563
Expenses		
Medical office building and other expenses	55,445	103,777
Salaries and benefits contributed by Wilson Medical Center	14,180	68,712
Depreciation expense	73,463	73,018
Interest expense	8,097	10,284
Contributions to Wilson Medical Center	22,566	26,249
Total expenses	173,751	282,040
Change in net assets without donor restrictions	41,608	(41,477)
Change in net assets with donor restrictions		
Contributions of cash		22,500
Investment income	18,707	8,772
Change in net assets with donor restrictions	18,707	31,272
Change in net assets	60,315	(10,205)
Net assets at beginning of year	1,717,792	1,727,997
Net assets at end of year	$ 1,778,107	$ 1,717,792

The accompanying notes are an integral part of these statements.

Wilson County Hospital d/b/a Wilson Medical Center
Notes to Financial Statements
December 31, 2024 and 2023

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

The financial statements of Wilson County Hospital d/b/a Wilson Medical Center (the Medical Center), a component unit of Wilson County, Kansas, (the County) include the accounts of the Medical Center and its discretely presented component Wilson Medical Center Foundation (the Foundation).

The Medical Center, located in Neodesha, Kansas, is a Kansas not-for-profit governmental hospital, which provides acute, skilled, and intermediate care services. The Medical Center is owned by the County and governed by a Board of Trustees appointed by the Board of County Commissioners. An independent auditor's report for Wilson County may be obtained by contacting Wilson County.

The Foundation is a legally separate nonprofit corporation organized and operated for the exclusive benefit and support of the Medical Center. The governing body of the Foundation is self-perpetuating. Although the Medical Center does not control the timing or amount of receipts from the Foundation, the resources, or income thereon, which the Foundation holds and invests, are restricted to the activities of the Medical Center. Because these resources are held by the Foundation, can only be used by, or for the benefit of, the Medical Center, the Foundation is considered a component unit of the Medical Center and is discretely presented in the Medical Center's financial statements.

1. Method of accounting

The financial statements of the Medical Center have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Medical Center uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

The Foundation reports under the Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Medical Center's reporting entity for these differences.

2. Use of estimates in preparation of financial statements

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Medical Center considers critical accounting estimates to be those that require more significant judgments and include the valuation of patient accounts receivable, including contractual allowances and provision for bad debts, the estimated settlements with third-party payors, and the estimated liabilities related to pension and post-employment benefit plans.

3. Cash and cash equivalents

Highly-liquid debt instruments with an original maturity of three months or less and certificates of deposit with local banks are considered to be cash equivalents, excluding amounts limited as to use or restricted.

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

4. Patient accounts receivables and credit policy

Patient accounts receivables are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Medical Center bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility.

Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Medical Center does not have a policy to charge interest on past due accounts.

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts patients are personally responsible for, through a charge to operations and a credit to the allowance for uncollectible accounts based on its assessment of historical collection likelihood and the current status of individual accounts.

In evaluating the collectability of patient accounts receivable, the Medical Center analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors and patients who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients, the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

5. Inventories

Inventories of supplies are stated at the lower of cost or net realizable value with cost determined on the first-in, first-out method.

6. Assets limited as to use and investment income

Assets limited as to use consist of U.S. obligation money market funds and U.S. government agency obligations and are reported at fair value in the accompanying statements of net position. Fair value is determined using quoted market prices.

Assets limited as to use consist of funds held by the bond trustee under bond indenture agreements which include deposits made by the Medical Center to later make required principal and interest payments on the related long-term debt.

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

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported as nonoperating revenue (expense) unless the income is restricted by donor or law.

7. Capital assets

Capital assets are recorded at cost if purchased or fair value at the date received, if contributed. The Medical Center maintains a threshold level of a unit or group cost of $5,000 or more for capitalizing capital assets. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from 5 to 40 years for land improvements and buildings and improvements, from 5 to 20 years for equipment, and from 5 to 10 years for computer software.

Leased assets are recognized at the lease commencement date and represent the Medical Center's right-to-use an underlying asset for the lease term. Leased assets are measured at the initial value of the lease liability at the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus any initial direct costs necessary to place the leased asset into service. Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method or the same method amortizing the debt.

Subscription-based IT assets are recognized at the subscription commencement date and represent the Medical Center's right-to-use an underlying IT asset for the subscription term. Subscription assets are measured at the initial value of the subscription liability, plus subscription payments made at or before the commencement of the subscription term, less any incentives received from the vendor at or before the commence of the subscription term, plus capitalizable initial implementation costs. Subscription assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method or the same method amortizing the debt.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the income (loss) from operations, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted expendable net position. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are reported in the accompanying statements of revenue, expenses, and changes in net deficit. During 2024 and 2023, the Medical Center determined that no evaluations of recoverability were necessary.

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

8. Accrued compensated absences

The Medical Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. The eligible employees earn vacation benefits at varying accrual rates subject to maximum actual limits depending on years of service. Any unused vacation will be paid out upon termination. Sick leave benefits are accrued by eligible employees based on hours worked. Sick leave benefits vest to the employees, but any vested benefits earned and unused by the employee will not be paid out to the employee upon termination. Accrued compensated absences are computed using the regular pay rates in effect at the statement of net position date. Vacation benefits are accrued based on the employees' vested balance while the Medical Center estimates a liability for vested sick leave benefits based on historical usage by employees.

9. Accrued health insurance claims

The Medical Center is partially self-insured for health insurance claims of its employees (Note K). Management estimates the net liability for reported and unreported claims incurred as of the end of each reporting period. The estimate is based on known claims and historical claims experience. Although management believes the estimate for accrued health insurance claims is reasonable, it is possible that actual incurred claims expense may vary significantly from the estimate recorded.

10. Deferred outflows of resources and deferred inflows of resources

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

11. Pension and Other Post Employee Benefit (OPEB) plans

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

12. Net position (deficit)

Net position (deficit) of the Medical Center is classified in three components. "Net deficit in capital assets" consists of capital assets net of accumulated depreciation and amortization reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted net position" is a noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the facility. "Unrestricted net position (deficit)" is the remaining net position (deficit) that does not meet the definitions above.

13. Operating revenues and expenses

The Medical Center's statements of revenues, expenses, and changes in net deficit distinguish between operating and nonoperating revenue and expenses. Operating revenue includes the exchange transactions associated with providing health care services other than noncapital grants and contributions. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenue and expenses are those transactions not considered directly linked to providing health care services.

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

14. Charity care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Medical Center maintains records to identify the amount of charges forgone for services and supplies furnished under the charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

15. Grants and contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Contributions that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

16. Unemployment compensation

The Medical Center has elected the reimbursement method to finance the cost of unemployment compensation benefits. Unemployment compensation expense is charged to operating expense when paid or when the amount of the claims can be estimated.

17. Income taxes

As an essential government function of the County, the Medical Center is generally exempt from federal income taxes on related income pursuant to Section 115 of the Internal Revenue Code and a similar provision of state law.

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code. Management is not aware of any uncertainties in income tax positions. Tax years ended on and before December 31, 2020, are not subject to examination by taxing authorities.

18. Adoption of accounting pronouncements

Effective January 1, 2024, the Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*. GASB 100 provides enhanced accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information. It also addresses the impact of accounting changes and error corrections on required and other supplementary information. GASB 100 requires disclosures for accounting changes and error corrections to include descriptive information about accounting changes and error corrections and information about the quantitative effects on beginning balances from accounting changes and error corrections.

Effective January 1, 2024, the Medical Center adopted GASB Statement No. 101, *Compensated Absences*. GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services the employee already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already

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

rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, an entity should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. GASB 101 requires a retrospective application as of the beginning of the earliest period presented (i.e., January 1, 2023). Comparative prior year financial statements have been adjusted to apply this standard retrospectively, which decreased the beginning net position by $323,000 and had no effect on the previously reported change in net position. See Note T for amounts restated.

19. Subsequent events

Subsequent events have been evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be issued. See Note V for subsequent event reported.

Note B - Net Patient Service Revenue

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

Medicare - The Medicare program has designated the Medical Center as a critical access hospital (CAH) for Medicare reimbursement purposes. Under this designation, inpatient, swing-bed, rural health clinic (RHC) and outpatient hospital services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology. Certain professional services provided by physicians and other clinicians, other than RHC services, and certain laboratory and mammography services are reimbursed based on prospectively determined fee schedules. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medical Center's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2022.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center receives a hospital specific add-on percentage to each claim based on prior filed cost reports. RHC services rendered to Medicaid beneficiaries are paid at prospectively determined rates per occasion of service. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or fee-for-service basis and are not subject to retroactive adjustment.

Others - 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 B - Net Patient Service Revenue - Continued

A summary of Medical Center gross and net patient service revenue is as follows:

	2024	2023
Gross patient service revenue	$ 30,979,825	$ 29,369,148
Deductions from patient service revenue		
Third-party contractual adjustments	(11,394,753)	(10,892,069)
Self-pay discounts	(43,524)	(87,906)
Charity care	(265,123)	(174,367)
Provision for bad debts	(1,124,687)	(932,964)
Net patient service revenue	$ 18,151,738	$ 17,281,842

Revenue from the Medicare and Medicaid programs accounted for approximately 39 percent and 10 percent, respectively, of the Medical Center's net patient revenue during 2024, and 43 percent and 9 percent, respectively, of the Medical Center's net patient revenue during 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation.

The Medical Center maintains records to identify and monitor the level of charity care it provides. The Medical Center estimates that the cost of providing charity care, based on overall cost-to-charge ratios obtained from its Medicare cost reports was $173,000 and $121,000 for 2024 and 2023, respectively.

Note C - Assets Limited as to Use

Under indenture agreements - held by trustee

Asset limited as to use by indenture agreements are held by a trustee and are stated at fair value. These assets are related to indenture issue and consist of the following:

	2024	2023
Bond reserve fund	$ 998,408	$ 956,277
Principal and interest funds	319,621	315,958
	$ 1,318,029	$ 1,272,235

Assets are invested by the trustee as follows:

	2024	2023
Money market treasury fund	$ 887,640	$ 333,178
U.S. Government and Agency obligations at fair value	430,389	939,057
	$ 1,318,029	$ 1,272,235

The bond reserve funds are available for debt principal and interest payments to prevent any default in the payment of principal or interest of the respective bonds, or if not so required, may be used to make the final payments of bond principal and interest.

Note D - Capital Assets

	2024			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 143,406	$ -	$ -	$ 143,406
Construction in progress	92,142	(86,142)		6,000
Total capital assets being depreciated	235,548	(86,142)	-	149,406
Capital assets being depreciated				
Land improvements	1,767,794	25,626		1,793,420
Buildings and fixed equipment	12,057,270	36,247	18,187	12,075,330
Major movable equipment	4,300,749	61,021		4,361,770
Total capital assets being depreciated	18,125,813	122,894	18,187	18,230,520
Less accumulated depreciated for				
Land improvements	1,408,614	44,712		1,453,326
Buildings and fixed equipment	8,017,246	409,071	4,040	8,422,277
Major moveable equipment	2,477,711	413,980		2,891,691
Total accumulated depreciation	11,903,571	867,763	4,040	12,767,294
Total capital assets being depreciated, net	6,222,242	(744,869)	14,147	5,463,226
Lease assets being amortized				
Leased equipment	467,011	58,751		525,762
Less accumulated amortization	72,668	115,191		187,859
Total leased assets, net	394,343	(56,440)	-	337,903
Subscription IT assets being amortized				
Subscription IT assets	2,476,886			2,476,886
Less accumulated amortization	1,444,345	403,073		1,847,418
Subscription IT assets, net	1,032,541	(403,073)	-	629,468
Total capital assets, net	$ 7,884,674	$ (1,290,524)	$ 14,147	$ 6,580,003

Note D - Capital Assets - Continued

	2023			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 143,406	$ -	$ -	$ 143,406
Construction in progress	234,281	(142,139)		92,142
Total capital assets not being depreciated	377,687	(142,139)	-	235,548
Capital assets being depreciated				
Land improvements	1,758,744	9,050		1,767,794
Buildings and fixed equipment	12,199,718	386,403	528,851	12,057,270
Major movable equipment	6,733,946	506,575	2,939,772	4,300,749
Total capital assets being depreciated	20,692,408	902,028	3,468,623	18,125,813
Less accumulated depreciation for				
Land improvements	1,360,200	48,414		1,408,614
Buildings and fixed equipment	8,121,764	424,333	528,851	8,017,246
Major movable equipment	4,954,617	462,866	2,939,772	2,477,711
Total accumulated depreciation	14,436,581	935,613	3,468,623	11,903,571
Total capital assets being depreciated, net	6,255,827	(33,585)	-	6,222,242
Lease assets being amortized				
Leased equipment	64,475	402,536		467,011
Less accumulated amortization	10,581	62,087		72,668
Total leased assets, net	53,894	340,449	-	394,343
Subscription IT assets being amortized				
Subscription IT assets	2,476,886			2,476,886
Less accumulated amortization	1,041,272	403,073		1,444,345
Subscription IT assets, net	1,435,614	(403,073)	-	1,032,541
Total capital assets, net	$ 8,123,022	$ (238,348)	$ -	$ 7,884,674

Construction in progress at December 31, 2024, primarily relates to uncompleted projects. There were no material commitments related to these projects at December 31, 2024.

Note E - Long-term Debt

Long-term debt consists of the following:

	2024	2023
5.50% to 6.20% Wilson County, Kansas Hospital Revenue Bonds; Series 2006; issued on November 2, 2006, in the original amount of $9,865,000, due serially through September 1, 2036	$ 6,205,000	$ 6,615,000
3.50% to 4.25% Wilson County, Kansas Hospital Refunding and Improvement Bonds, Series 2014; issued on December 18, 2014, in the original amount of $4,280,000, due serially through September 1, 2028	1,300,000	1,365,000
	7,505,000	7,980,000
Add net unamortized premium on bonds	29,359	33,719
Less current maturities of long-term debt	7,534,359	8,013,719
Long-term debt, net of current maturities	$ -	$ -

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

	Hospital revenue bonds	Special utilities assessment	Total long-term obligations
Outstanding at January 1, 2023	$ 8,430,000	$ 75,000	$ 8,505,000
Principal payments	(450,000)	(75,000)	(525,000)
Outstanding at January 1, 2024	7,980,000	-	7,980,000
Principal payments	(475,000)		(475,000)
Outstanding at December 31, 2024	$ 7,505,000	$ -	$ 7,505,000

Note E - Long-term Debt - Continued

Annual debt service requirements on long-term debt are as follows:

	Principal	Interest	Total
2025	$ 505,000	$ 405,442	$ 910,442
2026	535,000	375,672	910,672
2027	565,000	344,152	909,152
2028	590,000	320,705	910,705
2029	545,000	295,630	840,630
2030 - 2034	3,215,000	991,645	4,206,645
2035 - 2036	1,550,000	131,320	1,681,320
	$ 7,505,000	$ 2,864,566	$ 10,369,566

On November 2, 2006, Wilson County, Kansas, issued $9,865,000 Medical Center Revenue Bonds, Series 2006 at a premium of $133,202 on behalf of the Medical Center. The Bonds are payable solely from the gross revenues of the Medical Center and funds held by the bond trustee. The proceeds from this issue were used to (1) pay certain costs related to the issuance of the 2006 bonds, and (2) fund the construction of the new hospital facility. The Bonds do not constitute a general obligation of Wilson County.

On December 18, 2014, Wilson County, Kansas, issued $4,280,000 Hospital Revenue Bonds, Series 2014 at a discount of $53,500 on behalf of the Medical Center. The Bonds are payable solely from the gross revenues of the Medical Center and funds held by the bond trustee. The proceeds from this issue were used to (1) advance refund the 2007 bonds as well as portions of the 2006 bonds, and (2) pay certain costs related to the issuance related to the issuance of the 2014 bonds. The Bonds do not constitute a general obligation of Wilson County.

The bond indentures for both series of bonds above include various restrictive covenants, including but not limited to, a minimum required level of days cash on hand of 70 days, a minimum required debt service coverage ratio of 1.25, and restrictions on incurrence of additional debt. The Medical Center was below 1.0 on debt service coverage ratio for the years ended December 31, 2024 and 2023, and was below 70 days cash on hand for the years ended December 31, 2024 and 2023. Both covenants are a default and can trigger an event of default. Due to this, the debt has been classified as a current liability at December 31, 2024 and 2023.

Note F - Lease Liabilities

Lease liabilities are summarized as follows:

	2024	2023
Right-of-use lease liability; implied interest rate of 0.00%; payable in monthly installments of $744 through July 1, 2025	$ 5,207	$ 14,134
Right-of-use lease liability; implied interest rate of 0.00%; payable in monthly installments of $601 through November 30, 2026	15,432	22,646
Right-of-use lease liability; implied interest rate of 5.79%; payable in monthly installments of $13,901 through November 16, 2026	251,800	399,367
	272,439	436,147
Less current maturities of right-of-use lease liabilities	168,763	163,708
Noncurrent portion of right-of-use lease liabilities	$ 103,676	$ 272,439

The following is a summary of changes in right-of-use lease liabilities:

Outstanding at January 1, 2023	$ 52,339
Obligations incurred	458,382
Principal payments	(74,574)
Outstanding at January 1, 2024	436,147
Principal payments	(163,708)
Outstanding at December 31, 2024	$ 272,439

Scheduled future lease liability payments are as follows:

	Principal	Interest	Total
2025	$ 168,763	$ 10,474	$ 179,237
2026	102,672	1,851	104,523
2027	1,004		1,004
Total minimum lease payments	$ 272,439	$ 12,325	$ 284,764

Note G - Subscription IT Liabilities

Subscription IT liabilities are summarized as follows:

	2024	2023
Subscription IT liabilities; implied interest rate of 4.35%; payable in monthly installments of $22,260 through May 1, 2027	$ 909,147	$ 1,267,169
Less current maturities of subscription IT liabilities	368,448	358,022
Noncurrent portion of subscription IT liabilities	$ 540,699	$ 909,147

The following is a summary of changes in subscription liabilities:

Outstanding at January 1, 2023	$ 1,615,208
Principal payments	(348,039)
Outstanding at January 1, 2024	1,267,169
Principal payments	(358,022)
Outstanding at December 31, 2024	$ 909,147

Scheduled future subscription liability payments are as follows:

	Principal	Interest	Total
2025	$ 368,448	$ 21,756	$ 390,204
2026	379,337	10,867	390,204
2027	161,362	1,200	162,562
	$ 909,147	$ 33,823	$ 942,970

Note H - Line of Credit

The Medical Center has a line of credit available to use through a local bank. The line of credit has a limit of $750,000 and accrues interest at the rate of 6.85 percent per annum. The line of credit matures on April 1, 2025. A summary of the line of credit activity is as follows:

Balance at December 31, 2023	$ -
Principal advances	650,000
Principal payments	(457,129)
Balance at December 31, 2024	$ 192,871

Subsequent to year-end, the Medical Center renewed the line of credit and it now matures on April 1, 2026.

Note I - Defined Benefit Pension Plan

Plan Description

The Medical Center participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Substantially all employees of the Medical Center are eligible to participate in KPERS. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits.

Kansas law establishes and amends benefit provisions. Substantially all public employees in Kansas are covered by KPERS. Participation by local political subdivisions and entities is optional, but irrevocable once elected. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Benefits

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

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

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

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three statewide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

KPERS has three benefit structures and funding depending on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members were hired before July 1, 2009, Tier 2 members were first employed on or after July 1, 2009, and Tier 3 members were first employed on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 6 percent of covered salary for all members for 2024 and 2023, respectively. The employer rates established by statute at December 31, 2024 and 2023, are 9.26 percent and 8.43 percent, respectively.

The Medical Center's employer contributions to KPERS for the years ended December 31, 2024 and 2023, were $811,346 and $739,471, respectively, equal to the statutory required contributions for each year.

Note I - Defined Benefit Pension Plan - Continued

Employer and Nonemployer Allocations

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

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

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The Medical Center is included in the local group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the Medical Center's share of the collective pension amounts as of December 31, 2024 and 2023, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the KPERS plan years ended June 30, 2024 and 2023, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of December 31, 2024, the Medical Center's proportion was 0.3901 percent which was a decrease of .003 percent from its share at December 31, 2023.

Net pension liability

At December 31, 2024 and 2023, the Medical Center reported a liability of $8,287,299 and $8,246,487, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability was determined by actuarial valuations as of December 31, 2023 and 2022, which were then rolled forward to June 30, 2024 and 2023, using the following actuarial assumptions:

Actuarial assumptions	2024	2023
Price inflation	2.75%	2.75%
Salary increases, including wage increases	3.50% - 15.50%	3.50% - 12.00%
Long-term rate of return net of investment expense and including price inflation	7.00%	7.00%

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

Note I - Defined Benefit Pension Plan - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2024, are summarized in the following table:

Asset class	Long-term target allocation	Long-term expected real rate of return
World Equities	43.00 %	8.20
Core Fixed Income	13.00	2.20
Yield Driven	12.00	5.30
Infrastructure	3.00	6.80
Real Estate	15.00	5.70
Alternatives	11.00	12.00
Short-term investments	3.00	0.30
Total	100.00 %	

Discount Rate

The discount rates used to measure the total pension liability at the measurement date for 2024 and 2023 were 7.00 percent. The actuarial assumptions used in the calculation of the total pension liability were based on the results of the most recent actuarial experience study.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the pension plan as of June 30, 2024, calculated using the discount rate of 7.00 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% decrease (6.00%)	Current discount rate (7.00%)	1% increase (8.00%)
Hospital's share of net pension liability	$ 11,997,743	$ 8,287,299	$ 5,186,382

Note I - Defined Benefit Pension Plan - Continued

Pension Expense

For the years ended December 31, 2024 and 2023, the Medical Center recognized pension expense of $1,471,199 and $1,377,369, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the collective deferred outflows of resources and deferred inflows of resources at December 31, 2024 and 2023, are included in the tables below. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

	2024	2023
Deferred outflows of resources		
Differences between expected and actual experience	$ 1,008,096	$ 685,520
Change of assumptions	500,924	874,013
Net difference between projected and actual earnings on pension plan investments	50,771	481,641
Changes in proportion and differences between Medical Center contributions and proportionate share of contributions	295,402	471,965
Employer contributions subsequent to the measurement date	409,948	384,837
Total deferred outflows of resources	$ 2,265,141	$ 2,897,976
Deferred inflows of resources		
Differences between expected and actual experience	$ -	$ 1,161
Changes in proportion and differences between Medical Center contributions and proportionate share of contributions	523,524	660,446
Total deferred inflows of resources	$ 523,524	$ 661,607

Note I - Defined Benefit Pension Plan - Continued

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2024, that will be recognized in pension expense in future years:

Year ended December 31,	Employer contributions subsequent to the measurement date	Recognition of net deferred outflows/(inflows) of resources by year	Total
2025	$ 409,948	$ 453,936	$ 863,884
2026		805,137	805,137
2027		37,855	37,855
2028		34,741	34,741
	$ 409,948	$ 1,331,669	$ 1,741,617

Note J - Other Post-employment Benefit Plan

Plan description and benefits provided

The Kansas Public Employees Retirement System (KPERS) sponsors a long-term disability program for participating employers (the Plan). Participating employers pay the cost of the long-term disability and life insurance coverage for their members as provided by K.S.A. 74-04927. The Medical Center is considered to be participating in a single employer long-term disability plan. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than post-employment benefits (OPEB), the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

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

Note J - Other Post-employment Benefit Plan - Continued

The death benefit paid to beneficiaries of disabled members is 150 percent of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the member's previous 12 months of compensation at the time of the past date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100 percent of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered employees

The Medical Center has the following employees covered by the Plan as of December 31:

	2023	2022
Inactive employees or beneficiaries currently receiving benefit payments	2	3
Active employees	123	119
Total	125	122

Total OPEB liability

At December 31, 2024 and 2023, the Medical Center reported a total OPEB liability of $69,816 and $79,101, respectively.

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations as of December 31, 2023 and 2022, which were then rolled forward to June 30, 2024 and 2023, using the following actuarial assumptions:

Actuarial assumptions	2024	2023
Price inflation	2.75%	2.75%
Wage inflation	3.00%	3.00%
Salary increases, including wage increases	3.50% - 10.30%	3.50% - 10.00%
Discount rate	3.93%	3.65%

In 2023 and 2022, mortality rates used for the death benefits were based on the RP-2014 Mortality Tables. Mortality improvements were projected for future years using Scales MP-2021. Mortality rates used for disability benefits were included in long-term disability claim termination rates.

The actuarial assumptions used in the December 31, 2023 and 2022 valuations were based on the results of the latest actuarial experience study conducted.

Note J - Other Post-employment Benefit Plan - Continued

Changes in the total OPEB liability

	2024	2023
Liability at beginning of period	$ 79,101	$ 96,113
Changes for the year		
Service cost	18,705	20,592
Interest	3,313	3,869
Changes of economic/demographic gains or losses	(17,313)	(26,194)
Changes in assumptions or other inputs	246	(342)
Benefit payments	(14,236)	(14,937)
	(9,285)	(17,012)
Balance at end of period	$ 69,816	$ 79,101

Sensitivity of the OPEB liability to changes in the discount rate

The following table presents the total OPEB liability as of June 30, 2024, calculated using the discount rate of 3.93 percent, as well as what the OPEB's liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current rate:

	1% decrease 2.93%	Current discount rate 3.93%	1% increase 4.93%
Total OPEB liability	$ 72,902	$ 69,816	$ 66,490

OPEB expense

For the years ended December 31, 2024 and 2023, the Medical Center recognized OPEB expense of $11,347 and $15,473, respectively, which includes the changes in the total OPEB liability and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Note J - Other Post-employment Benefit Plan - Continued

Deferred outflows and resources and deferred inflows of resources

A summary of the collective deferred outflows of resources and deferred inflows of resources related to the OPEB plan at December 31, 2024 and 2023, are included in the tables below.

	2024	2023
Deferred outflows of resources		
Differences between expected and actual experience	$ 22,749	$ 28,849
Benefit payments subsequent to the measurement date	7,118	7,469
Changes of assumptions	3,306	3,749
Total deferred outflows of resources	$ 33,173	$ 40,067
Deferred inflows of resources		
Differences between expected and actual experience	$ 90,615	$ 88,124
Changes of assumptions	18,000	20,638
Total deferred inflows of resources	$ 108,615	$ 108,762

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2024, that will be recognized in OPEB expense in future years:

Year ended December 31,	Benefit payments subsequent to the measurement date	Recognition of net deferred outflows/(inflows) of resources by year	Total
2025	$ 7,118	$ (10,671)	$ (3,553)
2026		(10,644)	(10,644)
2027		(9,671)	(9,671)
2028		(9,315)	(9,315)
2029		(13,747)	(13,747)
Thereafter		(28,512)	(28,512)
	$ 7,118	$ (82,560)	$ (75,442)

Note K - Accrued Medical Claims Payable

The Medical Center sponsors a self-funded health care plan which provides medical benefits to employees and their dependents. Health care expense under the self-funded health care plan is based upon actual claims paid, reinsurance premiums, administrative fees, and unpaid claims at year-end. The Medical Center has reinsured a portion of its risk for such claims. The reinsurance arrangement covers annual claims in excess of $40,000 for each covered individual. The Medical Center has retained an insurance company as its agent to process and settle claims.

The following is a summary of the activity under this arrangement:

	2024	2023
Estimated accrued medical claims payable at beginning of period	$ 148,000	$ 148,000
Provision for employer's share of incurred claims and related expenses for the year, net of any reinsurance proceeds	881,564	937,818
Employee contributions	193,336	226,880
Payments made for claims and related expenses	(1,074,900)	(1,164,698)
Estimated net accrued medical claims payable at end of period	$ 148,000	$ 148,000

Note L - Compensated Absences

The Medical Center offers compensated absences to eligible employees in the form of paid vacation or sick leave. The Medical Center will pay out unused vacation benefits upon termination provided certain requirements are met. Sick leave benefits vest to the employee, but any vested benefits earned and unused by the employee will not be paid out upon termination. The Medical Center accrues a liability for the vested vacation leave and an estimate of the vested sick leave benefits to be used by employees.

The following is a summary of compensated absences at December 31:

	2024	2023
Estimated accrued compensated absences	$ 704,243	$ 665,647
Less current portion of accrued compensated absences	492,243	442,647
Noncurrent portion of accrued compensated absences	$ 212,000	$ 223,000

Note L - Compensated Absences - Continued

The following table is a summary of the changes in compensated absences:

Accrued compensated absences at January 1, 2023	$ 639,309
Net change	26,338
Accrued compensated absences at December 31, 2023	665,647
Net change	38,596
Accrued compensated absences at December 31, 2024	$ 704,243

Note M - Interest Expense

Total interest costs incurred are as follows:

	2024	2023
Total interest incurred	$ 477,410	$ 503,109
Amortization of bond premium	(4,360)	(15,603)
Interest expense	$ 473,050	$ 487,506

Note N - Deposits with Financial Institutions

Custodial credit risk related to bank deposits 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 of 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.

The carrying amount of the Medical Center's deposits with financial institutions were $995,431 and the bank balances were $891,634 at December 31, 2024.

The bank balance is categorized as follows:

Amount insured by the FDIC, bank deposit guaranty bond, or collateralized with securities held by the Hospital in its name	$ 434,122
Uncollateralized (collateralized with securities held in safekeeping under joint custody receipt by an authorized depository other but not in the Hospital's name)	561,309
	$ 995,431

Note O - Concentration of Credit Risk

Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to patients. The majority of the Medical Center's patients are from Neodesha, Kansas, and the surrounding area.

The mix of receivables from patients and third-party payors was as follows at December 31:

	2024	2023
Medicare	33 %	45 %
Medicaid	17	8
Blue Cross	8	8
Commerical	17	13
Self-pay	25	26
	100 %	100 %

Note P - Risk Management

The Medical Center's professional liability insurance for claim losses of less than $500,000 per claim and $1,500,000 per year covers professional liability claims reported during a policy year (claims-made coverage). The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending to July 1, 2025. The Kansas Healthcare Stabilization Fund provides additional professional liability coverage up to an additional $500,000 per claim and $1,500,000 per year above the Medical Center's professional liability insurance coverages.

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the Medical Center. Although there exists the possibility of claims arising from services provided to patients through December 31, 2024, which have not yet been asserted, the Medical Center has not been given notice of any possible claims, and accordingly, no provision has been made for them.

Note Q - Fair Value Measurements

The Medical Center categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are unadjusted quoted prices for identical assets in active markets. Level 2 inputs are significant other observable inputs. Level 3 inputs are unobservable, supported by little or no market activity.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Money market treasury funds are valued at unadjusted quoted prices for identical securities in active markets (Level 1 inputs).

U.S. Government and Agency bonds are valued at prices provided by independent pricing services (Level 2 inputs).

Note Q - Fair Value Measurements - Continued

The Medical Center has the following recurring fair value measurements at December 31, 2024 and 2023, included under the caption of Assets Limited as to Use under bond indenture agreements held by trustee:

Money Market Treasury Fund of $887,640 and $331,178, respectively, are valued at unadjusted quoted prices (Level 1).

U.S. Government and Agency obligations of $430,389 and $939,057, respectively, are valued at prices provided by independent pricing services to the trustee (Level 2).

Note R - Related-party Transactions

The Medical Center received grants of $37,180 and $26,249 from the Foundation during 2024 and 2023, respectively. The Medical Center incurred $21,528 and $69,783 in salary, employee benefits, and other expenses on behalf of the Foundation during 2024 and 2023, respectively. The Medical Center paid rent to the Foundation totaling $108,000 during 2024 and 2023.

Note S - Commitments and Contingencies

The Medical Center has entered into a self-insured trust agreement with the Kansas Hospital Association, along with other qualified hospitals in the state of Kansas to provide workers' compensation insurance for employees. To the extent the trust would be unable to meet its claims liabilities, members have, jointly and severally, agreed to pay for all claims. Management has assessed the financial condition of the trust and believes that the trust is sufficiently funded to meet its liabilities as they come due as of December 31, 2024. Management is also not aware of any intention by the trust to implement an assessment in the future for past funding shortages.

Note T - Adoption of New Accounting Standard

In 2024, the Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences.*

Note T - Adoption of New Accounting Standard - Continued

The following changes were made to 2023 financial statements in adoption of GASB 101:

	Amount as previously reported	Change in accounting principle	Amount as restated
Statement of Net Position			
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)			
Current liabilities			
Accrued compensated absences	$ 342,647	$ 100,000	$ 442,647
Total current liabilities	10,859,070	100,000	10,959,070
Noncurrent liabilities			
Accrued compensated absences		223,000	223,000
Total noncurrent liabilities	9,507,174	223,000	9,730,174
Total liabilities	20,366,244	323,000	20,689,244
Net position (deficit)			
Unrestricted (deficit)	(3,704,166)	(323,000)	(4,027,166)
Total net position (deficit)	(4,406,006)	(323,000)	(4,729,006)

Note U - Wilson Medical Center Foundation

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of the FASB. The FASB requires the Foundation to distinguish between contributions that increase net assets with donor restrictions and net assets without donor restrictions. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. As permitted by GASB Statement No. 34, the Medical Center has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the Medical Center's reporting entity.

Net Assets

The following classifications reflect the nature of restrictions on net assets with donor restrictions at December 31:

	2024	2023
Restricted by time or purpose		
Scholarships	$ 333,632	$ 322,267
Hospital equipment		22,500
Total restricted by time or purpose	333,632	344,767
Perpetual in nature endowment	85,268	85,268
Total net assets with donor restrictions	$ 418,900	$ 430,035

Note U - Wilson Medical Center Foundation - Continued

Notes Payable

The following is a summary of notes payable for the Foundation for the years ended December 31:

	2024	2023
3.68% note payable to financial institution, payable in monthly installments of $2,992 through December 2025, collateralized by certain property and equipment of the Foundation	$ 35,204	$ 69,131
3.39% note payable to financial institution, payable in monthly installments of $1,230 through December 2027, collateralized by certain property and equipment of the Foundation	42,003	55,066
3.00% note payable to financial institution, payable in monthly installments of $1,912 through July 2031, collateralized by certain property and equipment of the Foundation	136,922	155,446
	$ 214,129	$ 279,643

Scheduled principal repayments on long-term debt for the next five years and thereafter are as follows:

2025	$ 67,827
2026	33,676
2027	34,764
2028	20,890
2029	21,532
Thereafter	35,440
	$ 214,129

Note V - Subsequent Events

Subsequent to year-end, the Medical Center entered into an agreement to purchase medical equipment at a cost of $321,000.

Required Supplementary Information

Wilson County Hospital d/b/a Wilson Medical Center
Schedule of the Medical Center's Proportionate Share of the Net Defined Pension Plan Liability

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Hospital's proportion of the net pension liability	0.39013%	0.39308%	0.44944%	0.41529%	0.38363%	0.38619%	0.41273%	0.35858%	0.34392%
Hospital's proportionate share of the net pension liability	$ 8,287,299	$ 8,246,487	$ 8,935,086	$ 4,983,262	$ 6,650,747	$ 5,396,456	$ 5,752,631	$ 5,193,800	$ 5,320,467
Hospital's covered employee payroll	$ 8,761,836	$ 8,771,898	$ 9,176,337	$ 7,888,501	$ 7,362,021	$ 6,939,123	$ 7,417,998	$ 6,645,674	$ 5,999,204
Hospital's proportionate share of the net pension liability as a percentage of its covered employee payroll	94.58%	94.01%	97.37%	63.17%	90.34%	77.77%	77.55%	78.15%	88.69%
Plan fiduciary net position as a percentage of the total pension liability	72.75%	70.55%	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%

Notes to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are at the measurement date (June 30 of each previous fiscal year).

Wilson County Hospital d/b/a Wilson Medical Center
Schedule of the Medical Center's Contributions to Defined Pension Plan

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 811,346	$ 739,471	$ 816,694	$ 699,710	$ 633,870	$ 616,888	$ 622,370	$ 562,224	$ 550,127
Contributions in relation to the contractually required contribution	(811,346)	(739,471)	(816,694)	(699,710)	(633,870)	(616,888)	(622,370)	(562,224)	(550,127)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hospital's covered employee payroll	$ 8,761,836	$ 8,771,898	$ 9,176,337	$ 7,888,501	$ 7,362,021	$ 6,939,123	$ 7,417,998	$ 6,645,674	$ 5,999,204
Contributions as a percentage of covered employee payroll	9.26%	8.43%	8.90%	8.87%	8.61%	8.89%	8.39%	8.46%	9.17%

Notes to Schedule: The amounts presented for each fiscal year are at the measurement date (June 30 of each previous fiscal year).

Wilson County Hospital d/b/a Wilson Medical Center
Schedule of Changes in the Medical Center's Total OPEB Liability and Related Ratios
June 30,

	2024	2023	2022	2021	2020	2019
Service cost	$ 18,705	$ 20,592	$ 29,824	$ 28,005	$ 26,944	$ 26,642
Interest on total OPEB liability	3,313	3,869	3,136	3,774	6,080	3,616
Effect of economic/demographic gains or losses	(17,313)	(26,194)	(20,279)	(38,651)	(17,447)	59,349
Effect of assumption changes or inputs	246	(342)	(24,873)	126	4,921	1,503
Benefit payments	(14,236)	(14,937)	(14,037)	(27,213)	(21,745)	(693)
Net change in total OPEB liability	(9,285)	(17,012)	(26,229)	(33,959)	(1,247)	90,417
Total OPEB liability, beginning	79,101	96,113	122,342	156,301	157,548	67,131
Total OPEB liability, ending	$ 69,816	$ 79,101	$ 96,113	$ 122,342	$ 156,301	$ 157,548
Covered payroll	$ 8,420,076	$ 7,703,810	$ 8,536,159	$ 8,542,678	$ 7,583,427	$ 5,822,923
Total OPEB liability as a % of covered payroll	0.83%	1.03%	1.13%	1.43%	2.06%	2.71%

Notes to Schedule: The amounts presented for each fiscal year are at the measurement date (June 30 of each previous fiscal year).