FOWLER HOSPITAL DISTRICT
d/b/a
FOWLER RESIDENTIAL CARE
Fowler, Kansas

FINANCIAL STATEMENTS
December 31, 2025

Officers and Directors

Kevin Milford	Fowler, Kansas	President
Bill Norman	Fowler, Kansas	Vice-President
Cheri Knott	Fowler, Kansas	Treasurer
Pam Milford	Fowler, Kansas	Secretary
Karen McDowell	Fowler, Kansas	Member

* * *

Barbara Whitney	Administrator

FOWLER HOSPITAL DISTRICT
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Fowler, Kansas

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fowler Hospital District d/b/a Fowler Residential Care
Fowler, Kansas

Opinion

We have audited the accompanying financial statements of the business-type activities of Fowler Hospital District d/b/a Fowler Residential Care (the "District"), which comprise the statement of net position as of December 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Fowler Hospital District d/b/a Fowler Residential Care as of December 31, 2025, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Pension Contributions 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 audits 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.

Management has omitted 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 the 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.

Report on Additional Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses for the year ended December 31, 2025 is presented for purposes of additional analysis of the financial statements, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Operating Expenses for the year ended December 31, 2025 is fairly stated in all material respects in relation to the financial statements as a whole.

Integra Accounting Solutions LLC

Wichita, Kansas
September 11, 2026

FOWLER HOSPITAL DISTRICT d/b/a FOWLER RESIDENTIAL CARE

STATEMENT OF NET POSITION

December 31, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash	$ 675,902
Accounts receivable - residents, net of allowance for doubtful accounts of $0 for 2025	151,263
Tax levy receivable	732,509
Other receivables and prepaid expenses	8,945
Total current assets	1,568,619
PROPERTY AND EQUIPMENT, NET	312,290
OTHER ASSETS	
Leased assets, net	91,246
Assets limited as to use	
Certificates of deposit - reserved for asset replacement	50,699
Total other assets	141,945
Total assets	2,022,854
DEFERRED OUTFLOWS OF RESOURCES - Pension	179,811
Total assets and deferred outflows of resources	$ 2,202,665

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

FOWLER HOSPITAL DISTRICT d/b/a FOWLER RESIDENTIAL CARE

STATEMENT OF NET POSITION (continued)

December 31, 2025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	$ 60,736
Wages, compensated absences and withholdings payable	77,391
Pension contribution payable	24,088
Prepaid resident accounts and account credits	28,412
Lease liability - current portion	26,128
Total current liabilities	216,755
LONG TERM LIABILITY - Lease liability - less current portion	4,451
NET PENSION LIABILITY - KPERS	723,152
Total liabilities	944,358
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	732,509
Pension	103,043
Total deferred inflows of resources	835,552
NET POSITION	
Invested in capital assets, net of related liabilities	372,957
Restricted - reserved for asset replacement	50,699
Unrestricted	(901)
Total net position	422,755
Total liabilities, deferred inflows of resources, and net position	$ 2,202,665

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

FOWLER HOSPITAL DISTRICT d/b/a FOWLER RESIDENTIAL CARE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2025

OPERATING REVENUES	
Net resident service revenues	$ 1,865,194
Less: provision for doubtful accounts	(5,245)
Net resident service revenues less provision for doubtful accounts	1,859,949
Other operating revenues	4,204
Total operating revenues	1,864,153
OPERATING EXPENSES	
Personnel	1,379,748
Food	64,616
Contractual services	635,190
Consumable supplies	78,498
Depreciation	42,149
Other costs	237,511
Total operating expenses	2,437,712
OPERATING LOSS	(573,559)
NON-OPERATING REVENUES	
Tax revenues	721,310
Contributions	700
Interest income	25,870
Interest expense	(1,683)
Net non-operating revenues	746,197
INCREASE IN NET POSITION	172,638
Net position - beginning of year	250,117
Net position - end of year	$ 422,755

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

FOWLER HOSPITAL DISTRICT d/b/a FOWLER RESIDENTIAL CARE

STATEMENT OF CASH FLOWS

Year Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from residents and third-party payers for services	$ 1,823,498
Cash paid for employee wages, payroll taxes and benefits	(1,336,739)
Cash paid to suppliers and contractors	(1,004,206)
Net cash flows from operating activities	(517,447)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from county tax levy	721,310
Proceeds from noncapital contributions	700
Net cash flows from noncapital financing activities	722,010
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on lease liability	(25,186)
Interest paid on lease liability	(1,683)
Purchase of property and equipment	(142,057)
Net cash flows from capital and related financing activities	(168,926)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received, net of interest reinvested	24,974
Net cash flows from investing activities	24,974
Net change in cash	60,611
Cash, beginning of year	615,291
Cash, end of year	$ 675,902

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

FOWLER HOSPITAL DISTRICT d/b/a FOWLER RESIDENTIAL CARE

STATEMENT OF CASH FLOWS (continued)

Year Ended December 31, 2025

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITES	
Operating loss	$ (573,559)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation on property and equipment	42,149
Amortization of leased assets	8,171
Provision for doubtful accounts	5,245
Changes in operating assets and operating liabilities	
Accounts receivable - residents, net	(74,312)
Other receivables and prepaid expenses	(167)
Accounts payable	3,605
Prepaid resident accounts	28,412
Wages, compensated absences and withholdings payable	20,739
Pension contribution payable	24,088
Net pension liability and deferred inflows and deferred outflows related to defined benefit pension plan	(1,818)
Net cash flows from operating activities	$ (517,447)

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

NOTE A – NATURE OF OPERATIONS

Fowler Hospital District d/b/a Fowler Residential Care (the "District") owns and operates an intermediate care nursing facility in Fowler, Kansas. The financial statements of the District present financial information of the District as a whole including all district funds.

The District is a municipal corporation governed by an elected five-member board of directors. These financial statements include all funds included in the District's legally adopted budget. The District has no component units.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of accounting and presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally county tax appropriations and contributions) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include program-specific exchange transactions. Government-mandated or voluntary nonexchange transactions such as tax revenues, contributions, interest income and interest expense are included in nonoperating revenues and expenses. The District 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

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources 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 could differ from those estimates.

Cash

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

Accounts receivable - residents, net

The District reports accounts receivable for services rendered at net realizable amounts from third-party payers, residents, and others. As a service to residents, the District bills third-party payers directly and bills residents when the resident's liability is determined. The District provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written-off as bad debts based on individual credit evaluation and specific circumstances of the account.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property and equipment

Property and equipment 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. The following estimated useful lives are being utilized by the District:

Land improvements	5-40 years
Buildings and improvements	5-40 years
Furnishings and equipment	5-15 years
Vehicles	4 years

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

Impairment of long-lived assets

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in the service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recognized on those assets for which the estimated fair value is below its carrying amount. No impairment charges to long-lived assets was required to be recorded for the year ended December 31, 2025.

Assets limited as to use – certificates of deposit – reserved for asset replacement

Assets limited as to use consist of short-term certificates of deposit carried at amortized cost with original maturities from six months to one year. The use of these funds has been limited by the board for asset replacement.

Deferred outflows of resources

The District reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its statement of net position.

Accrued compensated absences

The District's employees are paid time off at varying rates depending on years of service. Paid time off accumulates with limits and employees are limited to how many hours of paid time off they can rollover annually. Employees have an option to receive a payout if overall paid time off is above the annual rollover limit. A liability for compensated absences is included within wages, compensated absences and withholdings payable on the statement of net position and totaled $36,426 at December 31, 2025.

Cost-sharing defined benefit pension plan

The District participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement Savings Plan ("KPERS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred inflows of resources

The District reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statement of net position.

Net position

Net position of the District is classified into three components:

- Invested in capital assets, net of related liabilities - This classification consists of capital assets (primarily property and equipment and leased assets), net of accumulated depreciation and further reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- Restricted - reserved for asset replacement - This classification consists of net position that must be used for a particular purpose, as specified by the board of directors.
- Unrestricted - This classification consists of the remaining net position that does not meet the definition of the other two components of net position.

Income taxes

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

Net resident service revenues

The District's revenues primarily relate to providing residential nursing care to residents. Residential nursing care typically includes providing short-term, recuperative stays under the direct supervision of engaged licensed healthcare professionals, often serving as a bridge between a hospitalization and home. Residential nursing care also provides long-term care for individuals with extended care needs. Residential nursing care revenues are reported at estimated net realizable amounts due from residents, Medicare, Medicaid, and other commercial third-party payers for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and/or investigations by third-party payers. Retroactive adjustments are included in the recognition of net resident service revenues on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. Compliance with laws and regulations governing Medicare and Medicaid programs is complex and can be subject to future government interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change materially in the near term.

Net resident service revenues were recognized from the following payer sources for the year ending December 31, 2025:

Medicaid	56%
Private or self-pay	39%
Medicare	5%
	100%

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Tax revenues

Tax revenues are derived from property taxes within Meade County. Property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Property taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the county. Property owners have the option of paying one-half or the full amount of taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the following year. State statutes prohibit the county treasurer from distributing taxes collected in the year levied prior to January 1st of the following year. At December 31, such taxes are a lien on the property and are recognized as a tax levy receivable in current assets with a corresponding amount recognized as a deferred inflow of resources (deferred revenue) on the statement of net position.

Contributions

From time to time, the District receives grants and contributions from individuals and private organizations. Revenues from grants and/or contributions are recognized when all eligibility requirements, including time requirements, are met. Grant and contributions may be restricted for specific operating purposes or capital purposes. Grants and contributions are recognized as nonoperating revenues on the statement of revenues, expenses, and changes in net position.

Risk management

The District is exposed to various risks of loss from torts, theft, damage, 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Budgetary control

Kansas statutes require that an annual operating budget be legally adopted for enterprise funds. Adoption of the final budget is required before August 25th. In order for the governing body to increase the originally adopted budget, a public hearing must be held. There was no budget amendment for the year ended December 31, 2025. All legal operating budgets are prepared using the modified accrual basis of accounting.

Subsequent events

The District has evaluated and disclosed subsequent events through September 11, 2026, which represents the date the financial statements were available to be issued.

NOTE C – COMPLIANCE WITH KANSAS LAW

Kansas law requires that the District legally adopt a fixed operating budget. Actual expenditures compared to budgeted expenditures for the year ended December 31, 2025 are as follows:

	Budget	Actual	Favorable (unfavorable)
Resident care	$ 2,400,000	$ 2,340,945	$ 59,055
Capital expenditures	138,000	142,057	(4,057)
Financing lease payment	19,316	25,186	(5,870)
Interest	4,000	1,683	2,317
	$ 2,561,316	$ 2,509,871	$ 51,445

NOTE D – 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 District's deposit policy for custodial 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.

At December 31, 2025, the carrying amount of the District's deposits, including certificates of deposit presented as other assets, totaled $726,601. The bank balances totaled approximately $782,000. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, approximately $250,000 was covered by FDIC insurance and approximately $532,000 was collateralized by pledged securities totaling approximately $1,301,000 held under joint custody receipts issued by a third-party bank in the District's name. The third-party banks holding the pledged securities are independent of the pledging banks. The pledges securities are held under tri-party custodial agreements signed by all three parties: the District, the pledging bank, and the independent third-party bank holding the pledged securities.

Kansas statutes authorize the District to invest in U.S. Treasury bills and notes, repurchase agreements, and the State Municipal Investment Pool. The District had no such investments at December 31, 2025.

NOTE E – ACCOUNTS RECEIVABLE - RESIDENTS, NET

Accounts receivable – residents, net consists of the following at December 31, 2025:

Medicaid	$ 97,641
Private or self-pay	24,423
Medicare	29,199
Accounts receivable - residents, gross	151,263
Allowance for doubtful accounts	-
Accounts receivable - residents, net	$ 151,263

Accounts receivable - residents, net totaled $82,196 at January 1, 2025.

NOTE F – PROPERTY AND EQUIPMENT

Activity within property and equipment is as follows for the year ended December 31, 2025:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 8,816	$ -	$ -	$ 8,816
Land improvements	36,211	-	-	36,211
Buildings and improvements	1,257,802	49,320	-	1,307,122
Furnishings and equipment	635,432	92,737	-	728,169
Vehicles	27,000	-	-	27,000
Property and equipment, gross	1,965,261	142,057	-	2,107,318
Less: accumulated depreciation				
Land improvements	21,169	617	-	21,786
Buildings and improvements	1,225,136	13,086	-	1,238,222
Furnishings and equipment	479,574	28,446	-	508,020
Vehicles	27,000	-	-	27,000
Accumulated depreciation	1,752,879	42,149	-	1,795,028
Property and equipment, net	$ 212,382	$ 99,908	$ -	$ 312,290

Depreciation expense totaled $42,149 for the year ended December 31, 2025.

NOTE G – LEASE

The District has entered into a noncancelable Municipal Lease for the acquisition of a generator. The monthly lease payment is $2,236.49 with a discount rate of 3.57% as stated in the lease agreement. The final payment is due February 15, 2027. The lease is classified as financing lease. During the year ended December 31, 2025, the lease generated $8,171 of amortization expense and $1,683 of interest expense.

	Beginning Balance	Additions	Disposals	Ending Balance
Leased assets, gross	$ 122,568	$ -	$ -	$ 122,568
Less: accumulated amortization	(23,151)	(8,171)	-	(31,322)
Leased assets, net	$ 99,417	$ (8,171)	$ -	$ 91,246

	Beginning Balance	Additions	Payments	Ending Balance
Lease liability	$ 55,765	$ -	$ (25,186)	$ 30,579

NOTE G – LEASE – continued

Maturity of the lease liability is as follows at December 31, 2025:

	Principal	Interest	Total
Year ended December 31,			
2026	$ 26,128	$ 710	$ 26,838
2027	4,451	22	4,473
Total future payments	$ 30,579	$ 732	$ 31,311

NOTE H – DEFINED BENEFIT PENSION PLAN

Plan Description

The District 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 Article 49. Substantially all employees of the District are eligible to participate in KPERS following the completion of one year of service. KPERS provides retirement benefits, life insurance, disability benefits, and death benefits. Kansas law establishes and amends benefit provisions. 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 South Kansas Ave., Suite 100, Topeka, KS 66603-3869, or by calling 1-888-275-5737, or by accessing the internet at www.KPERS.org.

Benefits

Benefits are established by statute and may only be changed by the Kansas Legislature. Members with ten or more years of credit 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 credit 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 accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement, a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. Their monthly retirement benefit is then permanently reduced based on the amount of the lump sum distribution. 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.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

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.

NOTE H – DEFINED BENEFIT PENSION PLAN – continued

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 state-wide 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.

Effective January 1, 2015, the KPERS Tier 1 and Tier 2 member-employee contribution rate was set at 6 percent of covered salary. The employer rate established by statute at December 31, 2025 was 9.71%. The District's employer contributions to KPERS for the year ended December 31, 2025 was $93,601.

KPERS makes separate calculations for pension-related amounts for the following four groups participating in the plan:

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

The District's employees participate in the "Local" group.

Actuarial Assumptions

The net pension liability was determined by actuarial valuations as of December 31, 2024, which were then rolled forward to June 30, 2025, using the following actuarial assumptions:

Inflation	2.75%
Salary increases, including inflation	3.50% to 15.50%
Investment rate of return, net of pension plan investment expenses, including inflation	7.00%

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 and by adding expected inflation.

NOTE H – DEFINED BENEFIT PENSION PLAN – continued

Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 29, 2024, as provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equities	43.0%	8.2%
Core fixed income	13.0%	2.2%
Real estate	15.0%	5.7%
Yield driven	12.0%	5.3%
Alternative	11.0%	12.0%
Infrastructure	3.0%	6.8%
Short-term investments	3.0%	0.3%
	100.0%	

Mortality rates were based on the PUB-2010 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-2021.

Discount Rate

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

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

The District's proportionate share of the net pension liability has been calculated using a discount rate of 7.00% at December 31, 2025. The following table presents the District's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate:

	1% decrease (6.00%)	Current Rate (7.00%)	1% increase (8.00%)
District's proportionate share of the net pension liability	$ 1,067,145	$ 723,152	$ 434,244

NOTE H – DEFINED BENEFIT PENSION PLAN – continued

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, 2025 are included in the table 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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 93,185	$ -
Difference in projected and actual earnings on pension plan investments	-	24,835
Change in assumptions	17,876	-
Changes in proportion	18,874	78,208
District's contributions subsequent to the measurement date	49,876	-
	$ 179,811	$ 103,043

The following table provides the deferred outflows of resources and the deferred inflows of resources as of December 31, 2025, that will be recognized in pension expense in future years:

	Employer Contributions Subsequent to the Measurement Date	Recognition of Net Deferred Outflows (Inflows) of Resources by Year	Total
2026	$ 49,876	$ 67,447	$ 117,323
2027	-	(9,017)	(9,017)
2028	-	(19,165)	(19,165)
2029	-	(12,373)	(12,373)
	$ 49,876	$ 26,892	$ 76,768

Net Pension Liability

At December 31, 2025, the District reported a liability of $723,152 for its proportionate share of the net pension liability. Net pension expense for the year ended December 31, 2025 totaled $91,783.

REQUIRED SUPPLEMENTARY INFORMATION

FOWLER HOSPITAL DISTRICT d/b/a FOWLER RESIDENTIAL CARE

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

December 31, 2025

	2025	2024	2023	2022	2021
District's portion of the net pension liability	0.036081%	0.038493%	0.042228%	0.043975%	0.037801%
District's proportionate share of the net pension liability	$ 723,152	$ 817,680	$ 885,903	$ 874,243	$ 453,595
District's covered-employee payroll	$ 963,963	$ 994,026	$ 969,027	$ 955,159	$ 890,349
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.02%	82.26%	91.42%	91.53%	50.95%
Plan fiduciary net position as a percentage of the total pension liability	74.40%	71.71%	70.55%	70.66%	81.14%

	2020	2019	2018	2017	2016
District's portion of the net pension liability	0.037366%	0.040007%	0.045112%	0.046154%	0.045755%
District's proportionate share of the net pension liability	$ 647,797	$ 559,047	$ 628,767	$ 668,520	$ 707,333
District's covered-employee payroll	$ 711,560	$ 818,506	$ 785,831	$ 813,918	$ 729,819
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	91.04%	68.30%	80.01%	82.14%	96.92%
Plan fiduciary net position as a percentage of the total pension liability	70.77%	75.02%	71.53%	72.15%	68.55%

Notes to Schedule:

This schedule is intended to show a 10-year trend. The amounts presented for each fiscal year are as of the measurement date (June 30 of the year reported).

FOWLER HOSPITAL DISTRICT d/b/a FOWLER RESIDENTIAL CARE

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

December 31, 2025

	2025	2024	2023	2022	2021
Contractually required contribution	$ 93,601	$ 83,122	$ 79,410	$ 79,312	$ 75,308
Contributions in relation to the contractually required contribution	(93,601)	(83,122)	(79,410)	(79,312)	(75,308)
Contributory deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 963,963	$ 994,026	$ 969,027	$ 955,159	$ 890,349
Contributions as a percentage of covered-employee payroll	9.71%	8.36%	8.19%	8.30%	8.46%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 65,640	$ 71,813	$ 73,790	$ 70,598	$ 74,337
Contributions in relation to the contractually required contribution	(65,640)	(71,813)	(73,790)	(70,598)	(74,337)
Contributory deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 711,560	$ 818,506	$ 785,831	$ 813,918	$ 729,819
Contributions as a percentage of covered-employee payroll	9.22%	8.77%	9.39%	8.67%	10.19%

Notes to Schedule:

This schedule is intended to show a 10-year trend. The amounts presented for each fiscal year are as of the most recent fiscal year ended December 31.

ADDITIONAL SUPPLEMENTARY INFORMATION

FOWLER HOSPITAL DISTRICT d/b/a FOWLER RESIDENTIAL CARE

SCHEDULE OF OPERATING EXPENSES

Year Ended December 31, 2025

Personnel	
Salaries and wages	$ 1,122,207
Fringe benefits and taxes	257,541
Total personnel	1,379,748
Food	64,616
Contractual services	
Health services	565,306
Health consultants	9,799
Financial consultant	47,096
Other professional fees	12,989
Total contractual services	635,190
Consumable supplies	78,498
Depreciation	42,149
Other costs	
Utilities	72,083
Insurance	70,366
Repairs and maintenance	19,864
Provider assessment	16,360
Dues/subscriptions	10,689
Minor equipment	10,644
Software & updates	9,041
Amortization of leased asset	8,171
Telephone	7,785
Other	5,673
Taining	3,144
Travel	1,786
Advertising	1,195
Rent	710
Total other costs	237,511
Total expenses	$ 2,437,712