Independent Auditor's Report and Financial Statements

Hospital District #1 of Crawford County, Kansas

December 31, 2025 and 2024

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Hospital District #1 of Crawford County, Kansas (Hospital) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, except for the effects described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital as of December 31, 2025 and 2024, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The 2025 and 2024 financial statements referred to above do not include financial data of the Hospital District #1 Crawford County Foundation (Foundation). The Foundation is a legally separate nonprofit corporation organized and operated exclusively for the benefit and support of the Hospital. Although the Hospital does not own the assets of the Foundation, the Foundation is considered a component unit of the Hospital and, accordingly, should be included in the Hospital's financial statements using a blended presentation in conformity with accounting principles generally accepted in the United States of America. Had the Foundation been included for the years ended December 31, 2025 and 2024, the Hospital's assets would have been $17,876,849 and $17,339,224, respectively, and the change in net position would have increased by $87,740 for the year ended December 31, 2025, and decreased by $43,354 for the year ended December 31, 2024.

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

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 Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information presented on pages 22 through 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 22 through 26 is fairly stated, in all material respects, in relation to the basic financial statements as a whole, except that no opinion is expressed as to the adequacy of insurance coverage.

The statistical data shown on page 27, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
May 18, 2026

Financial Statements

Hospital District #1 of Crawford County, Kansas
Statements of Net Position
December 31, 2025 and 2024

Assets and Deferred Outflows of Resources

	2025	2024
Current assets		
Cash and invested cash	$ 2,883,409	$ 2,733,790
Assets whose use is limited - required for current liabilities (Note D)	17,725	10,994
Patient accounts receivable, net of allowance for doubtful accounts of $1,147,000 in 2025 and $1,082,000 in 2024 (Note A5)	2,929,016	2,990,347
Accounts receivable - other	414,798	159,730
Estimated settlements due from third-party payors (Note B)	288,078	
Inventories (Note A6)	541,035	505,091
Prepaid expenses	304,126	330,429
Total current assets	7,378,187	6,730,381
Assets whose use is limited		
By Board of Trustees (Note C)	2,672,687	2,327,881
By donor for capital equipment (Note C)	975,000	975,000
By bond resolution (Note D)	821,725	817,864
	4,469,412	4,120,745
Less amounts required for current liabilities	17,725	10,994
Noncurrent assets whose use is limited	4,451,687	4,109,751
Capital assets (Notes A7 and E)		
Capital assets not being depreciated	309,355	360,811
Depreciable capital assets, net	4,486,618	4,644,801
Leased assets, net	75,624	166,373
Subscription IT assets, net	508,975	705,997
Total capital assets, net	5,380,572	5,877,982
Total assets	17,210,446	16,718,114
Deferred outflows of resources		
Deferred outflows on advance refunding	157,248	199,695
Total assets and deferred outflows of resources	$ 17,367,694	$ 16,917,809

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2025	2024
Current liabilities		
Current portion of lease liabilities (Notes A8 and F)	$ 82,870	$ 95,435
Current portion of subscription IT liabilities (Notes A9 and G)	207,262	198,158
Current portion of long-term debt (Note H)	670,000	653,102
Accounts payable and other accrued liabilities	412,723	548,157
Accrued payroll and related deductions	416,591	355,811
Accrued paid time off (Note A15)	496,647	516,495
Estimated settlements due to third-party payors (Note B)	332,912	809,613
Accrued interest payable	96,219	92,112
Total current liabilities	2,715,224	3,268,883
Long-term liabilities		
Lease liabilities, less current portion (Notes A8 and F)		82,870
Subscription IT liabilities, less current portion (Notes A9 and G)	347,811	555,073
Long-term debt, less current portion (Note H)	6,354,166	6,985,965
Total long-term liabilities	6,701,977	7,623,908
Total liabilities	9,417,201	10,892,791
Net position (Note A14)		
Invested in capital assets, net of related debt	(2,235,439)	(2,645,386)
Restricted for capital equipment	975,000	975,000
Restricted for debt service (Note D)	821,725	817,864
Unrestricted	8,389,207	6,877,540
Total net position	7,950,493	6,025,018
Total liabilities and net position	$ 17,367,694	$ 16,917,809

Hospital District #1 of Crawford County, Kansas
Statements of Revenue, Expenses, and Changes in Net Position
Years ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Net patient service revenue	$ 24,034,484	$ 22,001,798
Other	1,857,984	1,369,560
Total operating revenues	25,892,468	23,371,358
Operating expenses		
Salaries and wages	11,943,024	11,591,404
Employee benefits	3,303,662	3,101,113
Purchased services and professional fees	3,633,609	3,553,881
Leases and rentals	100,384	92,728
Other supplies and expenses	4,429,674	3,915,670
Depreciation and amortization	1,262,157	1,301,662
Total operating expenses	24,672,510	23,556,458
Operating income (loss)	1,219,958	(185,100)
Nonoperating revenues (expenses)		
Investment income	268,664	290,470
Noncapital grants and contributions	10,764	6,571
Gain on disposal of capital assets	71	62,826
Ad valorem taxes	596,920	573,832
Interest expense	(407,278)	(351,149)
Total nonoperating revenues (expenses)	469,141	582,550
Revenues in excess of expenses before capital contributions	1,689,099	397,450
Capital grants and contributions	236,376	212,091
Change in net position	1,925,475	609,541
Net position at beginning of year	6,025,018	5,415,477
Net position at end of year	$ 7,950,493	$ 6,025,018

The accompanying notes are an integral part of these statements.

Hospital District #1 of Crawford County, Kansas
Statements of Cash Flows
Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 23,331,036	$ 22,197,841
Payments to or on behalf of employees	(15,205,754)	(14,610,457)
Payments for supplies and services	(8,308,742)	(7,563,527)
Other receipts and payments	1,602,916	1,295,194
Net cash provided by operating activities	1,419,456	1,319,051
Cash flows from noncapital financing activities		
Ad valorem taxes	596,920	573,832
Noncapital contributions	10,764	6,571
Net cash provided by noncapital financing activities	607,684	580,403
Cash flows from capital and related financing activities		
Acquisition of capital assets	(764,747)	(804,125)
Principal payments on lease liabilities	(95,435)	(127,780)
Principal payments on subscription IT liabilities	(198,158)	(189,455)
Principal payments on long-term debt	(2,616,084)	(630,971)
Proceeds from bond issuance	1,905,000	
Receipt of capital grants and contributions	236,376	212,091
Proceeds from sale of capital assets	71	97,926
Interest paid	(264,541)	(361,339)
Net cash used by capital and related financing activities	(1,797,518)	(1,803,653)
Cash flows from investing activities		
Investment income	268,664	290,470
Net cash provided by investing activities	268,664	290,470
Change in cash and cash equivalents	498,286	386,271
Cash and cash equivalents at beginning of year	6,854,535	6,468,264
Cash and cash equivalents at end of year	$ 7,352,821	$ 6,854,535
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 2,883,409	$ 2,733,790
Cash included in assets whose use is limited	4,469,412	4,120,745
	$ 7,352,821	$ 6,854,535

The accompanying notes are an integral part of these statements.

Hospital District #1 of Crawford County, Kansas
Statements of Cash Flows - Continued
Years ended December 31, 2025 and 2024

	2025	2024
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ 1,219,958	$ (185,100)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	1,262,157	1,301,662
Provision for bad debts	1,868,291	1,813,878
Changes in		
Patient receivables	(1,806,960)	(1,790,889)
Other receivables	(255,068)	(74,365)
Estimated settlements due to/from third-party payors	(764,779)	173,053
Inventories	(35,944)	84,625
Prepaid expenses	26,303	(38,649)
Accounts payable and accrued expenses	(135,434)	(47,224)
Accrued payroll and related deductions	60,780	52,825
Accrued paid time off	(19,848)	29,235
Net cash provided by operating activities	$ 1,419,456	$ 1,319,051

The accompanying notes are an integral part of these statements.

Hospital District #1 of Crawford County, Kansas
Notes to Financial Statements
December 31, 2025 and 2024

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

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

1. Financial reporting entity

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

2. Basis of accounting

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

3. Use of estimates

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

4. Cash and cash equivalents

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

5. Patient accounts receivable

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

6. Inventories

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

7. Capital assets

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

Leased assets are recognized at the lease commencement date and represent the 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

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

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 used to amortize the lease liability.

Subscription IT assets are recognized at the subscription commencement date and represent the Hospital's right to use an underlying IT asset for the subscription term. Subscription IT assets are measured at the initial value of the subscription IT liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription IT 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 subscription liability.

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

8. Lease liabilities

Lease liabilities represent obligations to make payments arising from lease agreements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on the rate implicit in the lease or Hospital's incremental borrowing rate.

9. Subscription IT liabilities

Subscription IT liabilities represent obligations to make payments arising from SBITAs. Subscription IT liabilities are recognized at the SBITA commencement date based on the present value of future SBITA payments expected to be made during the SBITA term. The present value of SBITA payments are discounted based on the rate implicit in the SBITA or the Hospital's incremental borrowing rate.

10. Costs of borrowing

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

11. Grants and contributions

From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions, including contributions of capital assets, are 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. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

12. Restricted resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, their policy is to use restricted resources before unrestricted resources.

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

13. Deferred outflows of resources

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

14. Net position

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

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

15. Compensated absences

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

16. Operating revenues and expenses

The Hospital's statement of revenue, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

17. Net patient service revenue

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

18. Charity care

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

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

19. Ad valorem taxes

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

20. Income taxes

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

Note B - Reimbursement Programs

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

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

The Hospital is paid for cost reimbursable items at a tentative rate with the final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2023.

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

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

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

Revenue from the Medicare and Medicaid programs accounted for approximately 37 percent and 8 percent, respectively of the Hospital's net patient service revenue during 2025, and 37 percent and 6 percent, respectively of the Hospital's net patient service revenue during 2024. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

Note B - Reimbursement Programs - Continued

A summary of gross and net patient service revenue follows:

	2025	2024
Gross patient service revenue	$ 48,923,633	$ 46,144,594
Adjustments to patient service revenue		
Third-party contractual adjustments, discounts, and allowances	(22,953,007)	(22,251,211)
Provision for bad debts	(1,868,291)	(1,813,878)
Charity care	(67,851)	(77,707)
Net patient service revenue	$ 24,034,484	$ 22,001,798

The Hospital maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under its charity care policy for 2025 and 2024, was $67,851 and $77,707, respectively. The Hospital estimates that the cost of providing charity care, based on overall cost-to-charge ratios obtained from the Hospital's cost reports, was $32,904 and $38,322 for 2025 and 2024, respectively.

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

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

Note D - Assets Whose Use is Limited by Bond Resolution

Assets whose use is limited by bond resolution at December 31, 2025 and 2024, consist of required accounts to be maintained by the Hospital under the terms of the Crawford County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2016, Refunding Revenue Bonds, Series 2017, and Refunding Revenue Bonds, Series 2025 resolutions (see Note H).

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

	2025	2024
Debt service account - Series 2016, 2017, and 2025	$ 17,725	10,994
Debt service reserve fund - Series 2017	804,000	806,870
	821,725	817,864
Less amounts required for current liabilities	17,725	10,994
	$ 804,000	806,870

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

Note E - Capital Assets

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

	2025			
	Beginning balance	Additions/ transfers	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 281,380	$ -	$ -	$ 281,380
Projects in progress	79,431	(51,456)		27,975
Total capital assets not being depreciated	360,811	(51,456)	-	309,355
Capital assets being depreciated				
Land improvements	1,067,408			1,067,408
Buildings and fixed equipment	17,501,514	64,541	(35,892)	17,530,163
Major movable equipment	9,021,846	751,662	(521,542)	9,251,966
Total capital assets being depreciated	27,590,768	816,203	(557,434)	27,849,537
Less accumulated depreciation for				
Land improvements	743,460	14,074		757,534
Buildings and fixed equipment	14,692,663	491,502	35,892	15,148,273
Major movable equipment	7,509,844	468,810	521,542	7,457,112
Total accumulated depreciation	22,945,967	974,386	557,434	23,362,919
Total capital assets being depreciated, net	4,644,801	(158,183)	(1,114,868)	4,486,618
Leased assets being amortized				
Major movable equipment	453,743			453,743
Total leased assets being amortized	453,743	-	-	453,743
Less accumulated amortization				
Major movable equipment	287,370	90,749		378,119
Total accumulated amortization	287,370	90,749	-	378,119
Total leased assets being amortized, net	166,373	90,749	-	75,624
Subscription IT assets being amortized	1,297,064			1,297,064
Less accumulated amortization	591,067	197,022		788,089
Total subscription IT assets being amortized, net	705,997	197,022	-	508,975
Total capital assets, net	$ 5,877,982	$ 78,132	$ (1,114,868)	$ 5,380,572

Note E - Capital Assets - Continued

	2024			
	Beginning balance	Additions/ transfers	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 281,380	$ -	$ -	$ 281,380
Projects in progress	14,421	69,510	(4,500)	79,431
Total capital assets not being depreciated	295,801	69,510	(4,500)	360,811
Capital assets being depreciated				
Land improvements	1,067,408			1,067,408
Buildings and fixed equipment	17,270,776	243,283	(12,545)	17,501,514
Major movable equipment	9,177,078	495,832	(651,064)	9,021,846
Total capital assets being depreciated	27,515,262	739,115	(663,609)	27,590,768
Less accumulated depreciation for				
Land improvements	726,953	16,507		743,460
Buildings and fixed equipment	14,198,153	507,055	12,545	14,692,663
Major movable equipment	7,707,062	453,846	651,064	7,509,844
Total accumulated depreciation	22,632,168	977,408	663,609	22,945,967
Total capital assets being depreciated, net	4,883,094	(238,293)		4,644,801
Leased assets being amortized				
Major movable equipment	453,743			453,743
Buildings and fixed equipment	79,599		79,599	
Total leased assets being amortized	533,342	-	79,599	453,743
Less accumulated amortization				
Major movable equipment	196,622	90,748		287,370
Buildings and fixed equipment	43,116	36,483	79,599	
Total accumulated amortization	239,738	127,231	79,599	287,370
Total leased assets being amortized, net	293,604	(127,231)	-	166,373
Subscription IT assets being amortized	1,297,064			1,297,064
Less accumulated amortization	394,045	197,022		591,067
Total subscription IT assets being amortized, net	903,019	197,022	-	705,997
Total capital assets, net	$ 6,375,518	$ (98,992)	$ (4,500)	$ 5,877,982

Note F - Lease Liabilities

The Hospital leases multiple medication dispensing units under a lease agreement that expires in 2026. Payments are based on the terms of the agreement and the lease does not contain variable lease payments or residual value guarantees.

The following is a summary of lease liabilities at December 31:

	2025	2024
Current portion of lease liabilities	$ 82,870	$ 95,435
Noncurrent portion of lease liabilities		82,870
Total lease liabilities	$ 82,870	$ 178,305

The following is a summary of changes in the Hospital's lease liabilities:

Outstanding at January 1, 2024	$ 306,085
Principal payments	(127,780)
Outstanding at December 31, 2024	178,305
Principal payments	(95,435)
Outstanding at December 31, 2025	$ 82,870

Scheduled lease liability payments are as follows:

	Principal	Interest	Total
2026	$ 82,870	$ 1,710	$ 84,580

Note G - Subscription IT Liabilities

The Hospital has one subscription IT liability related to its patient accounting and electronic medical records system and related supporting modules. The subscription term expires in July 2028 and requires monthly payments of approximately $19,000.

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

	2025	2024
Current portion of subscription IT liabilities	$ 207,262	$ 198,158
Noncurrent portion of subscription IT liabilities	347,811	555,073
Total subscription IT liabilities	$ 555,073	$ 753,231

Note G - Subscription IT Liabilities - Continued

The following is a summary of changes in subscription IT liabilities:

	2025	2024
Beginning balance at January 1	$ 753,231	$ 942,686
Principal payments	(198,158)	(189,455)
Edning balance at December 31	$ 555,073	$ 753,231

Scheduled subscription IT liability payments are as follows:

	Principal	Interest	Total
2026	$ 207,262	$ 20,738	$ 228,000
2027	216,783	11,217	228,000
2028	131,028	1,973	133,001
	$ 555,073	$ 33,928	$ 589,001

Note H - Long-Term Debt

Hospital long-term debt consists of the following:

	2025	2024
Crawford County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2016, issued on March 30, 2016, in the original amount of $2,605,000, variable interest rate of 2.93%, due serially through 2034	$ -	$ 2,031,085
Crawford County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2017, issued on December 28, 2017, in the original amount of $8,775,000, interest rate of 4.00%, due serially through 2032	4,815,000	5,400,000
Crawford County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2025, issued on August 21, 2025, in the original amount of $1,905,000, interest rate of 4.00% to 5.00% due serially through 2034	1,905,000	
	6,720,000	7,431,085
Net unamortized bond premium	304,166	207,982
Less current maturities	(670,000)	(653,102)
	$ 6,354,166	$ 6,985,965

Note H - Long-Term Debt - Continued

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

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

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

On August 21, 2025, the Crawford County, Kansas Public Building Commission issued $1,905,000 in Refunding Revenue Bonds, Series 2025 (the 2025 bonds), on behalf of the Hospital. The proceeds of the 2025 bonds were used to (1) pay the costs related to issuance of the 2025 bonds and (2) advance refund $2,031,084 of the 2016 bonds maturing during the years from 2025 through 2034 by making an irrevocable deposit with a trustee. The trustee used that deposit to purchase direct obligations of the United States of America that matured and paid interest to redeem and pay the $2,031,084 of the refunded 2016 bonds on September 1, 2025, at the redemption price of 100 percent.

The refunding transaction decreased the total amount of future debt service requirements by $162,012. This resulted in an economic gain of $119, 178.

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

	Principal	Interest	Total
2026	$ 670,000	$ 285,503	$ 955,503
2027	705,000	255,500	960,500
2028	730,000	227,300	957,300
2029	755,000	198,100	953,100
2030	785,000	167,900	952,900
2031-2034	3,075,000	329,750	3,404,750
	$ 6,720,000	$ 1,464,053	$ 8,184,053

Note H - Long-Term Debt - Continued

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

Principal outstanding at January 1, 2024	$ 8,062,055
2024 payments on long-term debt	(630,970)
Principal outstanding at December 31, 2024	7,431,085
2025 payments on long-term debt	(2,616,085)
2025 long-term debt obligations incurred	1,905,000
Principal outstanding at December 31, 2025	$ 6,720,000

The pledge of Revenues and Operation Agreement between the Hospital and Crawford County, Kansas, contains covenants which, among other things, require the segregation of funds for payment of principal and interest on the bonds (see Note D) and require the establishment and maintenance of charge rates for Hospital services at such levels so that net revenues available for debt service of the Hospital will not be less than 115 percent of the annual debt service requirements on the Hospital's parity debt obligations.

Total interest costs are summarized as follows:

	2025	2024
Total interest incurred	$ 329,883	$ 353,096
Amortization of bond premium	(44,207)	(48,834)
Amortization of deferred outflows on advance refunding	42,447	46,887
Bond issuance costs	79,155	
	$ 407,278	$ 351,149

Note I - Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors at December 31 is as follows:

	2025	2024
Medicare	28.0 %	32.7 %
Medicaid	5.7	7.2
Blue Cross	11.0	7.7
Other insurers	30.1	28.5
Patients	25.2	23.9
	100.0	100.0

Note J - Risk Management

The Hospital is insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $500,000 per occurrence up to an annual aggregate of $1,500,000 for all claims made during the policy year. The Hospital is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $500,000 pursuant to any one judgment or settlement against the Hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $1,500,000. All coverage is on a claims-made basis. The above policies are renewed through March 27, 2026. The Hospital intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

In addition to the risks disclosed elsewhere in these financial statements and notes thereto, the Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital purchases commercial insurance for these risks.

Note K - Deposits with Financial Institutions

Custodial credit risk is the risk that in an event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy of custodial credit risk requires compliance with the provisions of State law. In addition, the Hospital maintains their cash in banks which are insured by the Federal Deposit Insurance Corporation (F.D.I.C.).

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

The carrying amount of the Hospital's deposits with financial institutions was $6,529,576 and the bank balances were $6,625,679 at December 31, 2025. The bank balances are categorized as follows at December 31, 2025:

Amount insured by the F.D.I.C., or collateralized with the Hospital's name	$ 5,344,066
Uncollateralized (amount collateralized with securities held in safekeeping by an authorized depository other than the pledging financial institution's trust department, but not in the Hospital's name)	1,281,613
	$ 6,625,679

Note L - Defined Contribution Pension Plan

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

Note L - Defined Contribution Pension Plan - Continued

For the years ended December 31, 2025 and 2024, the Hospital and covered employees made contributions to the plan as follows:

	2025	2024
Hospital contributions	$ 181,793	$ 171,290
Employee contributions	519,829	514,881

Note M - Budgetary Comparison

The Hospital legally adopted a budget for capital fund expenditures for the years ended December 31, 2025 and 2024. Actual capital fund expenditures for the year ended December 31, 2025, were $764,747 as compared to the legally adopted budgeted expenditures of $586,150. Actual capital fund expenditures for the year ended December 31, 2024, were $808,625 as compared to the legally adopted budgeted expenditures of $559,650.

Note N - Related-Party Transactions

Hospital District #1 Crawford County Foundation (Foundation) was established in September 1999. The Foundation's articles of incorporation provide that its funds are for the benefit of the Hospital. The Foundation donated $236,376 and $212,091 in capital contributions to the Hospital during the years ended December 31, 2025 and 2024, respectively. The Foundation also donated $9,282 and $6,571 in noncapital contributions to the Hospital during the years ended December 31, 2025 and 2024, respectively.

Note O - Subsequent Events

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

Supplementary Information

Hospital District #1 of Crawford County, Kansas
Net Patient Service Revenue
Years ended December 31, 2025 and 2024

	2025			2024
	Inpatient	Outpatient	Total	Total
Acute care room	$ 955,017	$ 384,273	$ 1,339,290	$ 1,216,538
Swing-bed room	464,711		464,711	284,375
Intensive care room	119,145		119,145	153,403
Geriatric psych	2,500,904	131,615	2,632,519	2,165,012
Operating room	205,520	3,633,966	3,839,486	3,147,697
Orthopedic				(84)
Anesthesiology	55,221	1,142,683	1,197,904	1,009,902
Radiology	209,094	6,920,844	7,129,938	7,827,021
Laboratory	660,908	8,133,105	8,794,013	8,785,445
Respiratory therapy	112,047	90,656	202,703	159,970
Physical therapy	172,037	1,211,928	1,383,965	1,446,303
Occupational therapy	114,238	390,617	504,855	430,195
Speech therapy		622	622	6,695
Pulmonary Rehab		306,068	306,068	374,088
Medical supplies	60,737	1,022,099	1,082,836	718,017
Wound care		930,434	930,434	1,084,300
Pharmacy	1,147,804	2,151,024	3,298,828	2,911,582
Electrocardiology	94,934	1,281,841	1,376,775	1,341,693
Emergency room	189,309	6,051,117	6,240,426	5,724,519
Home health		393,213	393,213	361,802
Physician clinics	149,161	7,523,765	7,672,926	6,984,916
Community outreach		12,976	12,976	11,205
Gross patient service revenue	$ 7,210,787	$ 41,712,846	48,923,633	46,144,594
Contractual adjustments, discounts, and allowances				
Medicare			(8,832,132)	(8,382,436)
Medicaid			(2,418,599)	(2,817,601)
Blue Cross			(4,264,676)	(4,367,580)
Other			(7,437,600)	(6,683,594)
Provision for bad debts			(1,868,291)	(1,813,878)
Charity care			(67,851)	(77,707)
Net patient service revenue			$ 24,034,484	$ 22,001,798

Hospital District #1 of Crawford County, Kansas
Other Revenue
Years ended December 31, 2025 and 2024

	2025	2024
Clinic rental	$ 11,254	$ 10,795
Cafeteria sales	32,853	32,574
Grants received	11,923	20,923
340(B) drug program	1,770,049	1,225,807
Other	31,905	79,461
	$ 1,857,984	$ 1,369,560

Hospital District #1 of Crawford County, Kansas
Operating Expenses
Years ended December 31, 2025 and 2024

	2025			2024
	Salaries	Other	Total	Total
Nursing service	892,590	$ 217,442	$ 1,110,032	$ 1,105,362
Intensive care	21,394	3,525	24,919	57,908
Swing-bed	688	248	936	848
Geriatric psych	1,150,898	262,899	1,413,797	1,322,147
Operating room	474,022	262,448	736,470	643,374
Orthopedic				1,677
Anesthesiology		437,328	437,328	500,312
Radiology	384,473	331,140	715,613	724,893
Laboratory	668,724	632,235	1,300,959	1,330,917
Respiratory therapy	41,517	15,471	56,988	58,332
Physical therapy	316,863	13,233	330,096	361,708
Occupational therapy	112,444	1,745	114,189	105,466
Speech therapy		145	145	5,577
Pulmonary Rehab	228,566	12,463	241,029	230,657
Central supply	89,886	542,938	632,824	500,013
Pharmacy	86,324	1,727,656	1,813,980	1,465,843
Emergency room	1,390,670	58,064	1,448,734	1,373,202
Home health	298,983	32,344	331,327	310,464
Wound care	40,539	171,892	212,431	246,310
Physician clinics	3,501,363	1,065,131	4,566,494	4,337,626
Administrative and general	1,402,395	1,475,720	2,878,115	2,768,930
Plant operation and maintenance	189,754	575,496	765,250	749,861
Laundry and linen		58,540	58,540	49,708
Housekeeping	172,781	72,796	245,577	233,910
Dietary	169,579	165,969	335,548	340,042
Nursing administration	115,906	2,852	118,758	117,100
Medical records	198,289	16,277	214,566	208,104
Community outreach	(5,624)	7,670	2,046	3,392
Employee benefits		3,303,662	3,303,662	3,101,113
Depreciation and amortization		1,262,157	1,262,157	1,301,662
	$ 11,943,024	$ 12,729,486	$ 24,672,510	$ 23,556,458

Hospital District #1 of Crawford County, Kansas
Balance in Depository Compared with Depository Security
December 31, 2025

	Girard National Bank	Farmers National Bank
Bank balances December 31, 2025	$ 6,421,600	$ 204,079
Less F.D.I.C. coverage	5,139,987	204,079
Balance in excess of F.D.I.C. coverage	$ 1,281,613	$ -
Market value of securities pledged	$ 2,021,933	$ -

Hospital District #1 of Crawford County, Kansas
Summary of Insurance Coverage
December 31, 2025

Federal Insurance Company	
Policy No. 3585-70-69, expiring March 27, 2026	
Property coverage	
Buildings and contents, $25,000 deductible	$ 38,400,188
Blanket BPP, $25,000 deductible	7,444,056
Business interruption	15,000,000
Cincinnati Insurance Company	
Policy No. ENP 030 75 68, expiring March 27, 2026	
Employee dishonesty-blanket, $10,000 deductible	500,000
Computer fraud, $2,500 deductible	200,000
Funds transfer fraud, $2,500 deductible	200,000
Forgery, $10,000 deductible	200,000
Kansas Medical Mutual Insurance Company	
Policy No. HPL0015113, expiring March 27, 2026	
Professional hospital liability	
Professional claims	500,000/1,500,000
Kansas Healthcare Stabilization Fund coverage	500,000/1,500,000
Additional insureds	500,000/1,500,000
General liability	
Personal injury and property damage liability	1,000,000/3,000,000
Employee benefits liability, $1,000 deductible	250,000
Cincinnati Insurance Company	
Policy No. EMH 0433716, expiring March 27, 2026	
Directors' and officers' liability, $10,000 deductible	1,000,000
Fiduciary and employee benefits liability, $5,000 deductible	1,000,000
Employment practices liability, $15,000 deductible	1,000,000
KHA Workers' Compensation Fund, Inc.	
Certificate No. 83, expiring January 1, 2026	
Workers' compensation	
Per accident	500,000
Per employee disease	500,000
Policy limit employee disease	500,000
Cincinnati Insurance Company	
Policy No. EBA 0115804, expiring October 28, 2026	
Automobile liability, each accident	1,000,000
Automobile uninsured motorist, each accident	1,000,000
Automobile underinsured motorist, each accident	1,000,000
Hired and nonowned liability	1,000,000
Cowbell Cyber Risk Insurance	
Policy No. OBD-CB-SMH46WWPI, expiring March 27,2026	
Each claim limit of liability, $25,000 deductible	1,000,000
Cyber crime loss, each claim, $25,000 deductible	250,000

Hospital District #1 of Crawford County, Kansas
Statistical Data
(Unaudited)
Years ended December 31, 2025 and 2024

	2025	2024
Patient days		
Acute	805	711
Swing-bed	701	458
Total inpatient	1,506	1,169
Geriatric psych	2,167	1,755
Rural health clinic visits	25,559	26,274
Discharges		
Acute	248	209
Geriatric psych	205	187
Average length of stay		
Acute	3.2	3.4
Geriatric psych	10.6	9.4
Beds		
Acute	25	25
Geriatric psych	10	10
Occupancy percent inpatient	16.50%	12.81%
Occupancy percent geriatric psych	59.37%	48.08%