EDWARDS COUNTY HOSPITAL,
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Financial Statements

Years Ended December 31, 2025 and 2024

(Together With Independent Auditor's Report)

EDWARDS COUNTY HOSPITAL,
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

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Years Ended December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Edwards County Hospital,
d/b/a Edwards County Medical Center
Kinsley, Kansas:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Edwards County Hospital, d/b/a Edwards County Medical Center, a component unit of Edwards County, Kansas, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Edwards County Hospital, d/b/a Edwards County Medical Center's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edwards County Hospital, d/b/a Edwards County Medical Center as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Edwards County Hospital, d/b/a Edwards County Medical Center 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.

(Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material 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 Edwards County Hospital, d/b/a Edwards County Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Edwards County Hospital, d/b/a Edwards County Medical Center's ability to continue as a going concern for a reasonable period of time.

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

(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other post benefits information on pages 34 through 36 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 (GASB) 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.

Edwards County Hospital, d/b/a Edwards County Medical Center has omitted its 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 GASB 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.

Dohman, Akerland & Eddy, LLC

Aurora, Nebraska
July 9, 2026

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Financial Position

December 31, 2025 and 2024

Assets and Deferred Outflows of Resources	2025	2024
Current assets:		
Cash and cash equivalents	$ 1,075,689	1,281,319
Cash - internally designated for capital improvements	60,566	152,436
Receivables:		
Patient, net of estimated uncollectibles of $439,613 in 2025 and $825,339 in 2024	1,317,634	1,921,855
Estimated third-party payor settlements	900,271	-
Noncapital appropriations - Edwards County	384,000	423,573
Other	111,705	31,382
Supplies	201,120	215,356
Prepaid expenses and other	181,730	238,467
Total current assets	4,232,715	4,264,388
Noncurrent cash - internally designated for capital improvements	677,604	758,760
Other receivables	-	13,192
Capital assets:		
Capital assets	10,620,367	10,312,279
Less accumulated depreciation and amortization	7,501,530	7,064,014
Net capital assets	3,118,837	3,248,265
Total assets	8,029,156	8,284,605
Deferred outflows of resources:		
Pension	984,339	1,302,589
OPEB	41,146	45,989
Total deferred outflows of resources	1,025,485	1,348,578
	$ 9,054,641	9,633,183

See accompanying notes to financial statements.

Liabilities, Deferred Inflows of Resources, and Net Position	2025	2024
Current liabilities:		
Current maturities of:		
Lease obligations	$ -	23,328
Subscription obligations	124,595	118,530
Accounts payable	478,400	500,919
Estimated third-party payor settlements	5,000	344,954
Accrued expenses	666,378	568,325
Total current liabilities	1,274,373	1,556,056
Subscription obligations, less current maturities	86,584	211,179
Net pension liability	4,232,207	4,965,705
Total OPEB liability	195,982	230,587
Total liabilities	5,789,146	6,963,527
Deferred inflows of resources:		
Pension	531,272	128,865
OPEB	78,524	71,899
Noncapital appropriations - Edwards County	384,000	390,554
Total deferred inflows of resources	993,796	591,318
Net position:		
Net investment in capital assets	2,907,658	2,895,228
Unrestricted	(635,959)	(816,890)
Total net position	2,271,699	2,078,338
	$ 9,054,641	9,633,183

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Net patient service revenue	$ 9,296,994	9,623,179
Provision for bad debts	(366,689)	(486,182)
Net patient service revenue, less provision for bad debts	8,930,305	9,136,997
Other revenue	994,781	442,128
Total operating revenues	9,925,086	9,579,125
Operating expenses:		
Salaries and wages	5,475,310	5,483,281
Employee benefits	1,425,331	1,819,006
Supplies, purchased services and professional fees	4,340,628	4,217,033
Depreciation and amortization	449,466	435,903
Total operating expenses	11,690,735	11,955,223
Operating loss	(1,765,649)	(2,376,098)
Nonoperating revenues (expenses):		
Noncapital appropriations - Edwards County	538,696	538,696
Interest from deposit accounts and other receivables	320,063	58,935
Interest expense	(14,546)	(20,877)
Noncapital grants and contributions	73,494	61,038
Employee retention credit (ERC)	1,010,000	-
Total nonoperating revenues	1,927,707	637,792
Excess of revenues over expenses (expenses over revenues)	162,058	(1,738,306)
Capital grants and contributions	31,303	148,234
Increase (decrease) in net position	193,361	(1,590,072)
Net position, beginning of year	2,078,338	3,668,410
Net position, end of year	$ 2,271,699	2,078,338

See accompanying notes to financial statements.

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

Decrease in Cash and Cash Equivalents	2025	2024
Cash flows from operating activities:		
Receipts from or on behalf of patients	$ 8,206,123	10,363,694
Payments to suppliers and contractors	(4,179,257)	(4,295,959)
Payments to and on behalf of employees	(6,838,566)	(6,973,321)
Other receipts and payments, net	994,781	442,128
Net cash used by operating activities	(1,816,919)	(463,458)
Cash flows from noncapital financing activities:		
Noncapital appropriations - Edwards County	571,715	505,677
Noncapital grants and contributions	73,494	61,038
Employee retention credit (ERC)	1,010,000	-
Net cash provided by noncapital financing activities	1,655,209	566,715
Cash flows from capital and related financing activities:		
Purchase of capital assets	(411,908)	(500,150)
Principal payments on lease obligations	(23,328)	(20,709)
Principal payments on subscription obligations	(118,530)	(112,762)
Interest paid on lease and subscription obligations	(14,546)	(20,877)
Capital grants and contributions	31,303	148,234
Net cash used by capital and related financing activities	(537,009)	(506,264)
Cash flows from investing activities, interest received	320,063	58,935
Net decrease in cash and cash equivalents	(378,656)	(344,072)
Cash and cash equivalents, beginning of year	2,192,515	2,536,587
Cash and cash equivalents, end of year	$ 1,813,859	2,192,515
Reconciliation of cash and cash equivalents to the statements of financial position:		
Cash and cash equivalents	$ 1,075,689	1,281,319
Restricted cash	60,566	152,436
Cash and cash equivalents in noncurrent cash and investments	677,604	758,760
	$ 1,813,859	2,192,515

(Continued)

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Cash Flows
(Continued)
Years Ended December 31, 2025 and 2024

Reconciliation of Operating Loss to Net Cash Used by Operating Activities	2025	2024
Operating loss	$ (1,765,649)	(2,376,098)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	449,466	435,903
Provision for bad debts	366,689	486,182
Decrease (increase) in:		
Patient accounts receivable	237,532	(471,299)
Estimated third-party payor settlements	(900,271)	854,985
Other receivables	(67,131)	33,867
Supplies	14,236	(17,378)
Prepaid expenses	56,737	(23,401)
Deferred outflows of resources	323,093	368,831
Increase (decrease) in:		
Accounts payable	69,351	(55,139)
Accrued expenses	98,053	(3,065)
Estimated third-party payor settlements	(339,954)	339,954
Deferred inflows of resources - pension and OPEB	409,032	8,112
Net pension liability	(733,498)	(14,302)
Total OPEB liability	(34,605)	(30,610)
Net cash used by operating activities	$ (1,816,919)	(463,458)

Supplemental Disclosure of Cash Flows Information

	2025	2024
Capital asset additions in accounts payable	$ 60,566	152,436

See accompanying notes to financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Edwards County Hospital, d/b/a Edwards County Medical Center (the Hospital), a component unit of Edwards County, Kansas, have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting entity

The Hospital is an acute care hospital located in Kinsley, Kansas. The Hospital is a component unit of Edwards County, Kansas (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenue by providing inpatient, outpatient and emergency care to patients in the County area.

The financial statements of the Hospital reporting entity are intended to present the financial position, changes in financial position and cash flows of the Hospital. They do not purport to, and do not, present fairly the financial position, changes in financial position or cash flows of the County as of and for the years ended December 31, 2025 and 2024.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital does not have any component units which meet the GASB criteria.

Tax exempt status

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Hospital has also obtained 501(c)(3) status with the Internal Revenue Service.

(Continued)

Measurement focus and basis of accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of presentation

The statement of financial position displays the Hospital's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

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, liabilities and deferred outflows and inflows of resources, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated cash and investments. For purposes of the statements of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Patient receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Patient receivables, excluding amounts due from third-party payors, are turned over to a collection agency if the receivables remain unpaid after the Hospital's collection procedures. The Hospital does not charge interest on the unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Noncapital appropriations receivable and revenue

Noncapital appropriations received from the County consist of property taxes and specific budgeted operating appropriations. Annually, the Hospital submits budgets to the County for approval of both amounts for the next fiscal year. The budgets are approved by the Edwards County Board of Commissioners, generally in August, and utilized to establish the property tax levies. A specific levy in connection with the property taxes is assigned to the Hospital.

In accordance with governing State statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. Property owners have the option of paying on half or the full balance of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. The County Treasurer is the tax collection agent for all taxing entities within the County, including the Hospital. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1 of the ensuing year.

(Continued)

As such taxes are a lien on properties during the current year, but not received by the Hospital until the ensuing year, such noncapital appropriations are recorded as a receivable as of December 31. For revenue recognition purposes, taxes levied during the current year are not available to the Hospital until the ensuing year due to State statute and, as such, are recognized as a deferred inflow of resources.

The operating appropriations received from the County are accounted for as a budgeted line item within the County's financial statements. State statues allow transferring budgeted amounts within the line items within an individual fund; therefore, there are no restrictions on the County for distributing these funds to the Hospital. Accordingly, amounts are recognized as revenue upon approval of the Hospital's submitted budget by the County.

Supplies

Supply inventories are stated at the lower of cost (first-in, first-out) or net realizable value and are expensed when used.

Noncurrent cash

Noncurrent cash is set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Assets that are available for obligations classified as current liabilities are reported in current assets.

Capital assets

Capital asset acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Useful lives are determined using the general guidelines set forth in the American Hospital Association Guide for Estimated Useful lives of Depreciable Hospital Assets. Capital assets under lease or subscription obligations are amortized on the straight-line method over the shorter period of the contract term or the estimated useful life of the capital asset. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

	Life in Years
Land improvements	10-20
Buildings	15-40
Fixed equipment	5-20
Moveable equipment	3-20
Subscriptions	3-10

(Continued)

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are reported after nonoperating revenues. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Deferred outflows of resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The Hospital has deferred outflows of resources related to pension and total other postemployment benefits (OPEB) liabilities. Deferred outflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, other differences between expected and actual experience, and contributions from the employer after the measurement date but before the end of the Hospital's reporting period. The Hospital's deferred outflows of resources are recognized as a component of compensation expense in the following year related to employer contributions, compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the related pension of OPEB plan.

Compensated absences

The Hospital's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of financial position date plus an additional amount for compensated-related payments, such as Social Security and Medicare taxes computed using rates in effect at that date. The liability for compensated absences is reported within accrued expenses in the accompanying financial statements.

Cost-sharing defined benefit pension plan

The Hospital 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 the pension, pension expense, and information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net positions 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.

(Continued)

Deferred inflows of resources

Deferred inflows of resources represent an increase in net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The Hospital has deferred inflows of resources related to pension and OPEB liabilities. The deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience, all associated with the Hospital's participation in the related KPERS pension or OPEB plans. In addition, deferred inflows of resources include noncapital appropriations from the County related to the ensuing year's budget and grants received that relate to a future period. The Hospital's deferred inflows of resources related to pensions are recognized as a component of compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the related plans. Noncapital appropriations are recognized as inflows of resources in the period the amounts become available and grants are recognized as revenue when earned.

Operating revenues and expenses

The Hospital's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, 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.

Charity care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $103,000 and $115,000 for years ended December 31, 2025 and 2024, respectively, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

(Continued)

Grants and contributions

From time to time, the Hospital receives 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.

(2) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** The Hospital is designated as a Critical Access Hospital (CAH). As a CAH, inpatient acute, inpatient nonacute (swing-bed), and outpatient services provided to Medicare beneficiaries are paid based on a cost reimbursement methodology (plus an additional 1% of cost). For these services, the Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). Although the majority of the services provided are reimbursed under the previously described methodology, there are services, such as certain laboratory and diagnostic services, that are reimbursed under prospectively determined per diem rates or fee schedules. 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 by the MAC through December 31, 2023.

  The “Budget Control Act of 2011” requires, among other things, mandatory across the board reductions in federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013 incur a 2% reduction in Medicare payments.

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

(Continued)

The Hospital participates in a Medicaid Direct Payor Payment Program (the Program) administered by the State Medicaid Agency and approved by the Centers for Medicare & Medicaid Services (CMS). Under the Program, the Hospital receives supplemental Medicaid payments in addition to standard Medicaid reimbursement for covered services provided to eligible Medicaid beneficiaries.

Program payments are funded through a combination of state and federal Medicaid funds and are contingent upon the Hospital meeting eligibility requirements established by the State, which may include participation agreements, reporting requirements, and compliance with applicable Medicaid regulations. Program payments are subject to CMS approval and may be modified, delayed, or discontinued at the discretion of the State or CMS.

The Hospital recognizes Program payments as patient service revenue in the period in which the related services are rendered and the amounts are reasonably estimable and realizable. During the year ended December 31, 2025, the Hospital recognized approximately $106,000 in revenue related to the Program.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other 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.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's net patient service revenues for the years ended December 31, 2025 and 2024:

	2025	2024
Medicare	53%	56%
State-sponsored Medicaid program	3	5
Commercial insurance	40	35
Uninsured	4	4
	100%	100%

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue for the year ended December 31, 2025 increased approximately $179,000 due to including allowances previously not estimated that are necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

(Continued)

(3) 340B Pharmacy Revenue

The Hospital participates in the 340B Drug Discount Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases and enter into certain contracts with unrelated pharmacies who provide certain prescriptive drugs to Hospital patients who receive rural health clinic and outpatient services. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring process. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near future. Included in other operating revenue is $879,944 and $329,034 of 340B Program revenue for the years ended December 31, 2025 and 2024, respectively.

(4) 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 Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

(Continued)

At December 31, 2025 and 2024, $1,684,933 and $1,723,567 of the Hospital's bank balances of $2,185,183 and $2,223,817, respectively, were exposed to custodial credit risk as follows:

	2025	2024
Uninsured but collateralized with securities held by pledging financial institution's trust department or agent in the Hospital's name	$ 1,684,933	1,723,567

The carrying values of deposits shown on the previous page are included in the statements of financial position as follows:

	2025	2024
Carrying value, deposits	$ 1,813,859	2,192,515
Cash and cash equivalents	$ 1,075,689	1,281,319
Cash – internally designated for capital improvements	60,566	152,436
Noncurrent cash – internally designated for capital improvements	677,604	758,760
	$ 1,813,859	2,192,515

(Continued)

(5) Capital Assets

Capital assets additions, transfers/retirements, and balances for the years ended December 31, 2025 and 2024 are as follows:

	2024	Additions	Transfers/ Retirements	2025
Historical costs				
Land – not depreciated	$ 52,502	-	-	52,502
Construction in progress – not depreciated	-	200,646	-	200,646
Land improvements	443,528	-	-	443,528
Buildings	4,824,035	49,700	-	4,873,735
Fixed equipment	2,505,580	-	-	2,505,580
Moveable equipment	1,637,253	69,692	(11,950)	1,694,995
Leased equipment	100,500	-	-	100,500
Subscriptions	748,881	-	-	748,881
Total historical costs	10,312,279	320,038	(11,950)	10,620,367
Less accumulated depreciation/amortization				
Land improvements	(179,147)	(21,812)	-	(200,959)
Buildings	(3,313,074)	(118,279)	-	(3,431,353)
Fixed equipment	(2,052,043)	(58,551)	-	(2,110,594)
Moveable equipment	(1,012,404)	(124,134)	11,950	(1,124,588)
Leased equipment	(58,018)	(14,357)	-	(72,375)
Subscriptions	(449,328)	(112,333)	-	(561,661)
Total accumulated depreciation/amortization	(7,064,014)	(449,466)	11,950	(7,501,530)
Net capital assets	$ 3,248,265	(129,428)	-	3,118,837

(Continued)

	2023	Additions	Transfers/ Retirements	2024
Historical costs				
Land – not depreciated	$ 52,502	-	-	52,502
Land improvements	443,528	-	-	443,528
Buildings	4,902,397	253,000	(331,362)	4,824,035
Fixed equipment	2,505,580	-	-	2,505,580
Moveable equipment	1,441,015	205,255	(9,017)	1,637,253
Leased equipment	100,500	-	-	100,500
Subscriptions	748,881	-	-	748,881
Total historical costs	10,194,403	458,255	(340,379)	10,312,279
Less accumulated depreciation/amortization				
Land improvements	(157,335)	(21,812)	-	(179,147)
Buildings	(3,537,097)	(107,339)	331,362	(3,313,074)
Fixed equipment	(1,993,096)	(58,947)	-	(2,052,043)
Moveable equipment	(900,305)	(121,116)	9,017	(1,012,404)
Leased equipment	(43,661)	(14,357)	-	(58,018)
Subscriptions	(336,996)	(112,332)	-	(449,328)
Total accumulated depreciation/amortization	(6,968,490)	(435,903)	340,379	(7,064,014)
Net capital assets	$ 3,225,913	22,352	-	3,248,265

Construction in progress at December 31, 2025 is comprised mainly of costs related to endoscopy scopes and a related scope washer totaling $183,396 with anticipated additional costs of $7,523 in 2026, to be placed in service in 2026.

(6) Lease Obligations

The Hospital leases certain operating equipment under a fixed payment arrangement. The lease does not contain any variable payment arrangements or residual value guarantees. The lease is due in monthly installments of $1,834, including interest through December 2025, at an imputed rate of interest of 3.81%. The lease was paid in full during 2025.

(Continued)

A schedule of changes in lease obligations for December 31, 2025 and 2024 follows:

	2024	Additions	Reductions	2025	Current Portion
Lease obligation	$ 23,328	-	(23,328)	-	-
Less current installments	23,328			-	
Lease obligations excluding current installments	$ -			-	

	2023	Additions	Reductions	2024	Current Portion
Lease obligation	$ 44,037	-	(20,709)	23,328	23,328
Less current installments	20,709			23,328	
Lease obligations excluding current installments	$ 23,328			-	

(7) Subscription Obligations

The Hospital has entered into a long-term subscription agreement. The agreement does not contain any variable payment arrangements or residual value guarantees. The subscription fee is due in monthly installments of $11,027, including interest through August 2027, at an imputed rate of interest of 5.00%.

A schedule of changes in subscription obligations for December 31, 2025 and 2024 follows:

	2024	Additions	Reductions	2025	Current Portion
Subscription obligation	$ 329,709	-	(118,530)	211,179	124,595
Less current installments	118,530			124,595	
Lease obligations excluding current installments	$ 211,179			86,584	

(Continued)

	2023	Additions	Reductions	2024	Current Portion
Subscription obligation	$ 442,471	-	(112,762)	329,709	118,530
Less current installments	112,761			118,530	
Lease obligations excluding current installments	$ 329,710			211,179	

Scheduled principal and interest repayments on subscription obligations are as follows:

Year Ending December 31,	Principal	Interest
2026	$ 124,595	7,729
2027	86,584	1,631
Total	$ 211,179	9,360

(8) Long-term Liabilities

A schedule of the Hospital's long-term liabilities for December 31, 2025 and 2024 is as follows:

	2024	Additions/ Adjustments	Payments/ Adjustments	2025	Due Within One Year
Lease obligations - note 6	$ 23,328	-	(23,328)	-	-
Subscription obligations - note 7	329,709	-	(118,530)	211,179	124,595
Other noncurrent liabilities:					
Net pension liability - note 10	4,965,705	-	(733,498)	4,232,207	-
Total OPEB liability - note 11	230,587	-	(34,605)	195,982	-
Total long-term liabilities	$ 5,549,329	-	(909,961)	4,639,368	124,595

(Continued)

	2023	Additions/ Adjustments	Payments/ Adjustments	2024	Due Within One Year
Lease obligations - note 6	$ 44,037	-	(20,709)	23,328	23,328
Subscription obligations - note 7	442,471	-	(112,762)	329,709	118,530
Other noncurrent liabilities:					
Net pension liability - note 10	4,980,007	-	(14,302)	4,965,705	-
Total OPEB liability - note 11	261,197	-	(30,610)	230,587	-
Total long-term liabilities	$ 5,727,712	-	(178,383)	5,549,329	141,858

(9) Pension Plan

Plan description

The Kansas Public Employees Retirement System Plan is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: Kansas Public Employees Retirement Systems (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges.

The KPERS plan is a cost-sharing multiple-employer defined benefit plan. KPERS is intended to be a qualified retirement plan under Section 401(a) of the Code. Information relating to KPERS, including stand-alone financial statements, is available by writing to KPERS, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or accessing the internet at www.KPERS.org.

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

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

The Hospital's employees participate in the Local group.

(Continued)

Benefits provided

Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. KPERS has two levels of benefits depending on retirement age and years of credited service. Tier 1 benefits are for members who are age 65 or age 62 with ten years of credited service or of any age when combined age and years of credited service equal 85 “points”. Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service.

Early retirement is permitted at the age of 55 and ten years of credited service. Benefits are reduced by .2% per month for each month between the ages of 60-62 and .6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35.0% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). The plan also provides disability and death benefits to plan members and their beneficiaries.

The terms of the plan provide for an annual 2% cost-of-living adjustment for Tier 2 members who retired prior to July 1, 2012, beginning the later of age of 65 or the second July 1 after retirement date. Other participants do not receive a cost-of-living adjustment.

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the state wide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4.00% of their annual pay. Effective January 1, 2014, the rate was raised to 5.00% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014 for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6.00%. Tier 2 participants are required to contribute 6.00% of compensation. The Hospital’s contractually required contribution rate for the years ended December 31, 2025 and 2024 were 9.71% and 9.26%, respectively, of annual payroll. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital’s contributions to KPERS for the pension plan for the years ended December 31, 2025 and 2024 were $501,297 and $483,229, respectively.

(Continued)

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At December 31, 2025 and 2024, the Hospital reported a liability of $4,232,207 and $4,965,705, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2024 and 2023, rolled forward to June 30, 2025 and 2024. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2025, the Hospital's proportion was .211162%, which was a decrease of .022603% from its proportion measured as of June 30, 2024 of .233765%. At June 30, 2023, the proportion was .237380%.

For the years ended December 31, 2025 and 2024, the Hospital recognized pension expense of $488,456 and $834,156, respectively. At December 31, 2025 and 2024, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 545,360	-	604,046	-
Net difference between projected and actual earnings on pension plan investments	-	145,347	30,421	-
Changes in assumptions	104,618	-	300,151	-
Changes in proportion	83,512	385,925	127,394	128,865
Hospital's contributions subsequent to the measurement date	250,849	-	240,577	-
	$ 984,339	531,272	1,302,589	128,865

(Continued)

At December 31, 2025, the Hospital reported $250,849 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2025 will be recognized in pension expense as follows:

Years Ending December 31,	Amount
2026	$ 361,097
2027	26,647
2028	(86,001)
2029	(99,525)
Total	$ 202,218

Actuarial Assumptions

The total pension liability in the December 31, 2024 and 2023 actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurement:

	2024	2023
Inflation	2.75%	2.75%
Salary increases, including inflation	3.5% to 15.5%	3.5% to 15.5%
Investment rate of return, net of pension plan investment expense, including inflation	7.00%	7.00%

The December 31, 2024 and 2023 actuarial valuations used mortality rates 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.

The actuarial assumptions used in the December 31, 2024 and 2023 valuations were based on the results of an actuarial experience study for the four-year period ended December 31, 2022.

(Continued)

The long-term expected rate of return on pension plan investments was determined using the 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class for both 2025 and 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Non-U.S. equities	43.00%	8.20%
Core fixed income	13.00	2.20
Yield driven	12.00	5.30
Infrastructure	3.00	6.80
Real estate	15.00	5.70
Alternatives	11.00	12.00
Short-term investments	3.00	.30
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for both the years ended June 30, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employee contribution rates certified by the KPERS 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 plans 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.

(Continued)

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability	$ 6,245,408	4,232,207	2,541,388

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

(10) Other Postemployment Benefits (OPEB)

Plan description

The Hospital contributes to the KPERS Long-Term Disability plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered by a Board of Trustees appointed by KPERS. The OPEB Plan's assets are not accumulated in a qualified trust because contributions from the employer to the OPEB Plan and earnings on those contributions are not irrevocable. Benefit provisions are contained in the plan document and were established and can be amended by action of the KPERS' governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(Continued)

Benefits

The OPEB Plan provides long-term disability (LTD) and life insurance benefits to eligible disabled members. Benefits provided are self-funded and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever occurs first. Upon the death of a member who is receiving monthly disability benefits, the OPEB Plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. The employees covered by the benefit terms at June 30 (the measurement date) are:

	2025	2024
Active employees	67	66
Disabled employees	3	3
	70	69

(Continued)

Total OPEB liability

At December 31, 2025 and 2024, the Hospital reported a liability of $195,982 and $230,587, respectively, related to its total OPEB liability. The total OPEB liability was measured as of June 30, 2025 and 2024, using actuarial valuations as of December 31, 2024 and 2023, rolled forward to June 30, 2025 and 2024. The following schedule shows the changes in the Hospital's total OPEB liability for the years ended December 31, 2025 and 2024:

	2025	2024
Total OPEB liability, beginning of year	$ 230,587	261,197
Service cost	13,011	12,490
Interest	8,960	9,421
Differences between expected and actual experience	(17,253)	(19,558)
Changes in assumptions or other inputs	(7,849)	(1,489)
Benefit payments	(31,474)	(31,474)
Net change	(34,605)	(30,610)
Total OPEB liability, end of year	$ 195,982	230,587

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the Hospital recognized OPEB expense of $28,491, and OPEB expense of $33,289 for the year ended December 31, 2024. At December 31, 2025 and 2024, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,843	50,905	7,945	46,246
Changes in assumptions or other inputs	9,469	27,619	12,064	25,653
Hospital's contributions subsequent to the measurement date	25,834	-	25,980	-
	$ 41,146	78,524	45,989	71,899

(Continued)

The deferred outflows of resources related to the contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2025 will be recognized in OPEB expense over the average expected remaining service life of the plan. The recognition will be as follows:

Years Ending December 31,	Amount
2026	$ 13,265
2027	9,573
2028	4,467
2029	6,598
2030	8,391
Thereafter	20,918
	$ 63,212

Actuarial Assumptions

The total OPEB liability in the December 31, 2024 and 2023 actuarial valuations was determined using the following actuarial assumptions, applied to all periods in the measurement:

	2024	2023
Price inflation	2.75%	2.75%
Discount rate	5.20%	3.93%
Salary increases, including inflation	3.5% to 10.3%	3.5% to 10.3%

- Discount rate – 5.20%, 3.93% and 3.65% as of December 31, 2025, 2024 and 2023, respectively, based on the Bond Buyer General Obligation 20-Year Municipal Bond Index.
- Mortality rates – RP-2014 mortality tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2021 mortality tables.
- Experience study – Based on the results of an actuarial experience study prepared during 2023.

(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Hospital, as well as what the Hospital's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rates as of December 31, 2025 and 2024:

	1% Decrease (4.20%)	Discount Rate (5.20%)	1% Increase (6.20%)
Total OPEB liability at December 31, 2025	$ 202,153	195,982	189,903

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability at December 31, 2024	$ 238,174	230,587	223,095

The total OPEB liability of the Hospital is not impacted by healthcare trend rates given the nature of the benefits provided by the OPEB plan, as such no sensitivity tables were prepared for the healthcare trend rates.

(11) Designated Net Position

At December 31, 2025 and 2024, $738,170 and $911,196, respectively, of unrestricted net position has been designated by the Hospital's Board of Trustees for capital acquisitions. Designated net position remains under the control of the Board of Trustees, which may at its discretion later use this net position for other purposes. The Hospital's unrestricted net position was deficient by $1,374,129 in meeting this designation as of December 31, 2025. Designated net position is reported as current or noncurrent cash equivalents, internally designated for capital improvements.

(Continued)

(12) Employee Retention Credit

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) and subsequent legislation provides a refundable employee retention tax credit (ERC) to eligible employers who meet either a gross receipts test or a governmental mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. In 2024, the Hospital applied for $1,010,000 in refunds, including interest, for ERCs related to payroll for the first and second quarters of the year ended December 31, 2021. Payments from the IRS were received in 2025. As a result, the Hospital recognized nonoperating revenue in its financial statements for the year ended December 31, 2025.

The Hospital has not received any notification from the IRS challenging its filings, or other information that makes the Hospital believe the filing was improper.

(13) Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2025 and 2024 were as follows:

	2025	2024
Medicare	45%	54%
State-sponsored Medicaid program	3	3
Commercial insurances	26	25
Patients	26	18
	100%	100%

The Hospital received approximately 4.6% and 5.2% of its financial support from noncapital appropriations from the County in 2025 and 2024, respectively.

(14) Contingencies

Risk management

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

(Continued)

Malpractice insurance

The Hospital has insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $500,000 per claim and an aggregate limit of $1,500,000. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage per claim and an additional $1,500,000 of aggregate coverage. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be insured.

Litigation, claims and disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of tasks under its various programs. In the opinion of management, the ultimate settlement of litigation, claims and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Schedule of the Hospital's Proportionate Share of the Net Pension Liability (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (See note 9)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Hospital's proportion of the net pension liability	.211162%	.233765	.237380	.222913	.236311	.238688	.230058	.209920	.187406	.184597
Hospital's proportionate share of the net pension liability	$ 4,232,207	4,965,705	4,980,007	4,431,609	2,835,629	4,138,024	3,214,767	2,925,844	2,714,493	2,855,770
Hospital's covered employee payroll	$ 5,157,450	5,218,457	5,470,081	4,780,098	4,622,930	4,474,997	4,225,997	3,731,387	3,324,731	3,169,466
Hospital's proportionate share of the net pension liability as a percentage of its covered employee payroll	82.06%	95.16	91.04	92.71	61.34	92.47	76.07	78.41	81.65	90.10
Plan fiduciary net position as a percentage of the total pension liability	75.26%	72.75	70.70	69.75	76.40	66.30	69.88	68.88	67.12	65.10

The amounts presented for each fiscal year are as of the measurement date (June 30 of the previous year).

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Schedule of the Hospital's Contributions (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (See note 9)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 501,297	483,229	461,125	425,429	410,054	385,540	395,481	335,165	294,107	304,374
Less contribution in relation to the contractually required contribution	501,297	483,229	461,125	425,429	410,054	385,540	395,481	335,165	294,107	304,113
Contribution deficiency	$ -	-	-	-	-	-	-	-		261
Hospital's covered employee payroll	$ 5,157,450	5,218,457	5,470,081	4,780,098	4,622,930	4,474,997	4,225,997	3,731,387	3,324,731	3,169,466
Contributions as a percentage of covered employee payroll	9.71%	9.26	8.43	8.90	8.87	8.62	9.36	8.98	8.85	9.60

The amounts presented for each fiscal year are as of the most recent fiscal year-end (December 31).

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Schedule of the Changes in the Total OPEB Liability and Related Ratios (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (See note 10)

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*
Service cost	$ 13,011	12,490	12,612	20,757	21,350	18,321	14,484	14,258	13,336
Interest	8,960	9,421	9,623	6,844	7,157	10,588	10,914	13,344	11,649
Effect of economic/ demographic gains or losses	(17,253)	(19,558)	(3,341)	(3,565)	(3,515)	955	19,505	(76,759)	-
Changes in assumptions or other inputs	(7,849)	(1,489)	(1,046)	(27,704)	656	19,027	5,897	(4,790)	(15,545)
Benefit payments	(31,474)	(31,474)	(31,474)	(35,079)	(28,988)	(32,069)	(36,119)	(37,934)	(54,705)
Net change in total OPEB liability	(34,605)	(30,610)	(13,626)	(38,747)	(3,340)	16,822	14,681	(91,881)	(45,265)
Total OPEB liability, beginning of year	230,587	261,197	274,823	313,570	316,910	300,088	285,407	377,288	422,553
Total OPEB liability, end of year	$ 195,982	230,587	261,197	274,823	313,570	316,910	300,088	285,407	377,288
Hospital's covered employee payroll	$ 4,718,615	5,092,474	4,826,458	4,337,867	4,437,426	4,561,015	4,274,531	3,584,813	3,139,132
Total OPEB liability as a percentage of covered employee payroll	4.15%	4.53	5.41	6.34	7.07	6.95	7.02	7.96	12.02
Discount rate	5.20%	3.93	3.65	3.54	2.21	2.21	3.50		

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the previous year).

Notes to the Schedule

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.