Greeley County Hospital a Component Unit of Greeley County, Kansas

Basic Financial Statements and Independent Auditors' Report

December 31, 2025 and 2024

ACCOUNTANTS | ADVISORS

Greeley County Hospital
a Component Unit of Greeley County, Kansas
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ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Greeley County Hospital
a Component Unit of Greeley County, Kansas
Tribune, Kansas

Opinion

We have audited the accompanying financial statements of Greeley County Hospital (the Hospital), a component unit of Greeley County, Kansas, as of and for the years ended December 31, 2025 and 2024, and the related notes to the basic financial statements, which collectively comprise the Hospital's 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 the Hospital 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 (GAAS) and the provisions of the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditors' 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Greeley County, Kansas, as of December 31, 2025 and 2024, or the changes in its financial position or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS, we:

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

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

DZA PLLC

Spokane Valley, Washington
April 13, 2026

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Statements of Net Position
December 31, 2025 and 2024

ASSETS	**2025**	**2024**
Current assets		
Cash and cash equivalents	**$ 5,440,521**	$ 3,930,726
Certificates of deposit	**1,086,491**	4,039,303
Receivables:		
Patient accounts	**4,432,578**	2,983,098
Estimated third-party payor settlements	**-**	333,253
Grants	**60,289**	48,597
Other	**279,013**	195,422
Inventories	**218,856**	187,249
Prepaid expenses	**283,012**	304,252
Total current assets	**11,800,760**	12,021,900
Noncurrent assets		
Depreciable capital assets, net	**12,305,992**	12,673,402
Nondepreciable capital assets	**444,996**	446,613
Total noncurrent assets	**12,750,988**	13,120,015
Total assets	**$ 24,551,748**	$ 25,141,915

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Statements of Net Position (Continued)
December 31, 2025 and 2024

LIABILITIES AND NET POSITION	2025	2024
Current liabilities		
Accounts payable	**$ 207,707**	$ 609,681
Capital accounts payable	**143,289**	-
Estimated third-party payor settlements	**99,209**	-
Accrued compensation and related liabilities	**1,329,284**	873,772
Current maturities of long-term obligations		
Greeley County bond contribution	**655,572**	673,871
Subscription liabilities	**331,739**	153,953
Lease liabilities	**63,667**	51,400
Total current liabilities	**2,830,467**	2,362,677
Noncurrent liabilities		
Long-term obligations, less current maturities		
Greeley County bond contribution	**5,232,207**	5,887,779
Subscription liabilities	**991,710**	492,732
Lease liabilities	**166,140**	221,807
Total noncurrent liabilities	**6,390,057**	6,602,318
Total liabilities	**9,220,524**	8,964,995
Net position		
Net investment in capital assets	**5,309,953**	5,638,473
Unrestricted	**10,021,271**	10,538,447
Total net position	**15,331,224**	16,176,920
Total liabilities and net position	**$ 24,551,748**	$ 25,141,915

See accompanying notes to financial statements.

Greeley County Hospital
a Component Unit of Greeley 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	**$ 17,844,813**	$ 16,014,121
Grants	**674,868**	800,891
Other	**892,913**	408,535
Total operating revenues	**19,412,594**	17,223,547
Operating expenses		
Salaries and wages	**10,016,672**	7,697,752
Employee benefits	**2,300,508**	1,823,332
Professional fees and other purchased services	**2,517,516**	2,698,436
Supplies	**2,714,867**	1,989,516
Depreciation and amortization	**1,888,421**	1,616,206
Repairs and maintenance	**631,095**	552,313
Utilities	**311,575**	284,515
Insurance	**214,530**	176,048
Leases and rentals	**33,235**	30,921
Other	**561,405**	346,447
Total operating expenses	**21,189,824**	17,215,486
Operating income (loss)	**(1,777,230)**	8,061
Nonoperating revenues (expenses)		
Intergovernmental revenue	**753,910**	826,871
Interest income	**299,138**	380,983
Contributions	**1,615**	12,715
Interest expense on lease and subscription liabilities	**(123,129)**	(63,750)
Total nonoperating revenues (expenses), net	**931,534**	1,156,819
Change in net position	**(845,696)**	1,164,880
Net position, beginning of year	**16,176,920**	15,012,040
Net position, end of year	**$ 15,331,224**	$ 16,176,920

See accompanying notes to financial statements.

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 16,795,608**	$ 14,593,821
Cash received from grants	**663,176**	785,238
Other receipts	**829,786**	416,215
Payments to and on behalf of employees	**(11,861,668)**	(9,460,530)
Payments to suppliers and contractors	**(7,396,564)**	(5,880,720)
Net cash from operating activities	**(969,662)**	454,024
Cash flows from noncapital financing activities		
Intergovernmental revenue	**753,910**	826,871
Cash received from noncapital contributions	**1,615**	12,715
Net cash from noncapital financing activities	**755,525**	839,586
Cash flows from capital and related financing activities		
Payments for Greeley County bond contribution	**(673,871)**	(700,070)
Principal payments on subscription liabilities	**(326,800)**	(142,324)
Principal payments on lease liabilities	**(67,400)**	(20,237)
Interest paid on lease and subscription liabilities	**(123,129)**	(63,750)
Purchase of capital assets	**(348,541)**	(692,599)
Net cash from capital and related financing activities	**(1,539,741)**	(1,618,980)
Cash flows from investing activities		
Purchase of certificates of deposit	**-**	(1,039,303)
Sale of certificates of deposit	**2,952,812**	-
Interest income received	**310,861**	358,319
Net cash from investing activities	**3,263,673**	(680,984)
Net change in cash and cash equivalents	**1,509,795**	(1,006,354)
Cash and cash equivalents, beginning of year	**3,930,726**	4,937,080
Cash and cash equivalents, end of year	**$ 5,440,521**	$ 3,930,726

See accompanying notes to financial statements.

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2025 and 2024

		2025		2024
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	**$**	**(1,777,230)**	$	8,061
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation and amortization		**1,888,421**		1,616,206
Provision for bad debts		**122,779**		196,098
(Increase) decrease in assets:				
Receivables:				
Patient accounts		**(1,572,259)**		(1,365,295)
Estimated third-party payor settlements		**333,253**		(133,253)
Grants		**(11,692)**		(15,653)
Other		**(95,314)**		(110,170)
Inventories		**(31,607)**		(13,284)
Prepaid expenses		**21,240**		(20,074)
Increase (decrease) in liabilities:				
Accounts payable		**(401,974)**		230,834
Estimated third-party payor settlements		**99,209**		-
Accrued compensation and related liabilities		**455,512**		60,554
Net cash from operating activities	**$**	**(969,662)**	$	454,024

See accompanying notes to financial statements.

Noncash Capital Financing Activities

During the year ended December 31, 2025, the Hospital recorded $1,027,564 of subscription liabilities and subscription assets from subscription agreements with Lunar Systems, Inc. and Avanos Medical, LLC.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Greeley County Hospital (the Hospital) is an acute care hospital located in Tribune, Kansas. The Hospital is a component unit of Greeley County (the County), and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital provides inpatient, outpatient, emergency care, residential long-term care services, and primary care to patients in the Greeley and Wallace Counties area.

On January 1, 2006, the Board of Trustees of Greeley County Hospital (the Lessor) organized Greeley County Health Services, Inc. (the Lessee) (GCHS) as a Section 501(c)(3) organization for the purpose of assuming custody of certain assets and liabilities related to hospital operations, and operates the Hospital as of January 1, 2006, pursuant to a lease agreement ended December 31, 2011. Board members of the Lessor act as the Board of Trustees for the Lessee. The Lessee has the right to extend the term of the lease and does so each year at its yearly board meeting. Rent expense under this lease is $1, paid at the beginning of the lease term. The Lessee has exercised the right to extend the lease through December 31, 2026.

As required by accounting principles generally accepted in the United States of America, these financial statements include the Hospital and its component unit, GCHS. Although GCHS is legally separate from the Hospital, GCHS is reported as if it were part of the Hospital, because the Hospital's Board of Trustees also serves as its governing body. GCHS is considered a component unit of the Hospital and is included in the financial statements of the Hospital using the blended method. All significant intercompany accounts and transactions have been eliminated. Separate financial statements for GCHS are not available.

b. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Enterprise fund accounting – The Hospital's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include investments in highly-liquid debt instruments with an original maturity of three months or less.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital.

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense.

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Compensated absences – The Hospital's employees earn paid time off (PTO) at varying rates, depending on years of service. Employees are allowed to accrue a maximum of 216 hours for full time employees with 1-5 years of service, 306 hours for employees between 5-10 years of service, and 360 hours for employees over 10 years of service. Employees may cash out some of their PTO up to a certain level. Employees also earn sick leave benefits based on a standard rate-per-hour worked up to a specified maximum.

Accruals for PTO are fully vested and are calculated by multiplying the PTO hours earned by the employee wage rates for each employee. Accruals for sick leave are not vested and are estimated based on the amount of the accrued hours expected to be used by the employees. For all accruals for compensated absences, payroll-related expenses, such as employer payroll taxes and retirement contributions, that relate to the compensated absences are also estimated and accrued.

Net position – Net position of the Hospital is classified into three components. *Net investment in capital assets* consists of the Hospital's capital assets, net of accumulated depreciation, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *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. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets.* The Hospital did not have any restricted net position at December 31, 2025 and 2024.

Restricted resources – When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Operating revenues and expenses – The Hospital's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grants and contributions – From time to time, the Hospital receives federal and state grants as well as 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 restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects or purposes related to the Hospital's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Income taxes – 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 (IRC) and a similar provision of state law. GCHS is exempt from income taxes under Section 501(c)(3) of the IRC and a similar provision of state law. However, both entities are subject to federal income tax on any unrelated business taxable income. The entities evaluate uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2025 and 2024, the Hospital and GCHS had no uncertain tax positions requiring accrual.

Capital assets – Capital assets are assets with an individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets, other than subscription and leased assets, are recorded at historical cost if purchased or constructed. Donated capital assets are stated at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations as incurred. Subscription and leased assets are stated at the present value of the future payments under the agreement, plus any payments made at or before the start of the contract and costs to place the asset in service. Subscription and leased assets are amortized on the straight-line method over the shorter period the of subscription term or the estimated useful life of the assets. Gains or losses on sales and retirements are included in nonoperating revenues and expenses. Depreciation is provided over the estimated useful lives of assets as determined from the American Hospital Association's published tables and management's estimate using the straight-line method using these asset lives:

Land improvements	10 to 15 years
Buildings and improvements	2 to 40 years
Equipment	3 to 15 years
Subscription assets	3 to 5 years
Leased right-of-use equipment	2 to 5 years

Reclassifications– Certain reclassifications have been made to the 2024 financial statements to conform with the 2025 presentation. These classifications had no effect on the previously reported change in net position.

Subsequent events – The Hospital has evaluated subsequent events through April 13, 2026, the date on which the financial statements were available to be issued.

Change in accounting principles – In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*. The objective of this statement is to update the recognition and measurement guidance for compensated absences. The District adopted Statement No. 101 during the year ended December 31, 2025. See Note 1b for additional information on the compensated absences recorded by the District.

1. **Reporting Entity and Summary of Significant Accounting Policies (continued):**

   b. Summary of Significant Accounting Policies (continued)

   Upcoming accounting pronouncements – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which increases the usefulness of governments' financial statements by improving definitions and disclosures related to management's discussion and analysis, unusual or infrequent items, and nonoperating revenue. It also changes presentation requirements for component units and budgetary comparison information. These changes will improve the comparability of the financial statements. The new guidance is effective for the Hospital's year ending December 31, 2026, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

2. **Bank Deposits:**

   Kansas Statutes Annotated (K.S.A.) 9-1401 establishes the depositories which may be used by the Hospital. The statute requires banks eligible to hold the Hospital's funds have a main or branch bank in the county in which the hospital is located, or in an adjoining county, if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Deposit Insurance Corporation coverage. The Hospital has no other policies that would further limit interest rate risk.

   K.S.A. 12-1675 limits the Hospital's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions, U.S. government securities, temporary notes, no-fund warrants, repurchase agreements, and the Kansas Municipal Investment Pool. The Hospital has no investment policy that would further limit its investment choices.

   Concentration of credit risk – State statutes place no limit on the amount the Hospital may invest in any one issuer, as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

   Custodial credit risk: ***deposits*** – Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. State statutes require the Hospital's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the state of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

   As of December 31, 2025, the Hospital's carrying amount of deposits including certificates of deposit was approximately $6,500,000 and the bank balance was approximately $6,700,000. The bank balance was held by four banks, resulting in a concentration of credit risk. Of the bank balance, $750,000 was covered by federal depository insurance. The total financial institutions' pledging for collateralization of funds in the Hospital's name was approximately $6,400,000.

   Credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The Hospital does not have a policy specifically requiring or limiting investments of this type.

3. Fair Value Measurements:

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The certificates of deposit are valued using quoted market prices (Level 2 inputs).

4. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary. For example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital's allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior year. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

		2025		2024
Receivable from patients and their insurance carriers	**$**	**2,242,756**	$	2,225,689
Receivable from Medicare		**2,377,623**		1,609,653
Receivable from Medicaid		**646,730**		100,628
Total patient accounts receivable		**5,267,109**		3,935,970
Less allowance for uncollectible accounts		**834,531**		952,872
Patient accounts receivable, net	**$**	**4,432,578**	$	2,983,098

5. Capital Assets:

Capital asset activities were as follows:

	Balance December 31, 2024	Additions	Retirements	Transfers	Balance December 31, 2025
Nondepreciable capital assets					
Land	$ 301,707	$ -	$ -	$ -	**$ 301,707**
Construction in progress	144,906	477,280	-	(478,897)	**143,289**
Total nondepreciable capital assets	446,613	477,280	-	(478,897)	**444,996**
Capital assets being depreciated					
Land improvements	512,644	-	-	-	**512,644**
Buildings and improvements	18,847,755	-	(101,611)	59,528	**18,805,672**
Equipment	3,802,183	14,550	(1,228,864)	419,369	**3,007,238**
Subscription assets	920,557	1,003,564	(63,050)	-	**1,861,071**
Leased right-of-use assets equipment	293,444	24,000	-	-	**317,444**
Total depreciable capital assets	24,376,583	1,042,114	(1,393,525)	478,897	**24,504,069**
Less accumulated depreciation and amortization for					
Land improvements	144,362	34,878	-	-	**179,240**
Buildings and improvements	8,260,593	1,156,153	(101,611)	-	**9,315,135**
Equipment	2,955,113	279,842	(1,228,864)	-	**2,006,091**
Subscription assets	318,659	358,859	(63,050)	-	**614,468**
Leased right-of-use assets equipment	24,454	58,689	-	-	**83,143**
Total accumulated depreciation and amortization	11,703,181	1,888,421	(1,393,525)	-	**12,198,077**
Total depreciable capital assets, net	12,673,402	(846,307)	-	478,897	**12,305,992**
Capital assets, net	**$ 13,120,015**	**$ (369,027)**	**$ -**	**$ -**	**$ 12,750,988**

5. Capital Assets (continued):

	Balance December 31, 2023	Additions	Retirements	Transfers	Balance December 31, 2024
Nondepreciable capital assets					
Land	$ 301,707	$ -	$ -	$ -	**$ 301,707**
Construction in progress	-	144,906	-	-	**144,906**
Total nondepreciable capital assets	301,707	144,906	-	-	**446,613**
Capital assets being depreciated					
Land improvements	512,644	-	-	-	**512,644**
Buildings and improvements	18,421,794	425,961	-	-	**18,847,755**
Equipment	3,688,232	121,732	(7,781)	-	**3,802,183**
Subscription assets	920,557	-	-	-	**920,557**
Leased right-of-use assets equipment	-	293,444	-	-	**293,444**
Total depreciable capital assets	23,543,227	841,137	(7,781)	-	**24,376,583**
Less accumulated depreciation and amortization for					
Land improvements	109,485	34,877	-	-	**144,362**
Buildings and improvements	7,119,665	1,140,928	-	-	**8,260,593**
Equipment	2,706,276	256,618	(7,781)	-	**2,955,113**
Subscription assets	159,330	159,329	-	-	**318,659**
Leased right-of-use assets equipment	-	24,454	-	-	**24,454**
Total accumulated depreciation and amortization	10,094,756	1,616,206	(7,781)	-	**11,703,181**
Total depreciable capital assets, net	13,448,471	(775,069)	-	-	**12,673,402**
Capital assets, net	**$ 13,750,178**	**$ (630,163)**	**$ -**	**$ -**	**$ 13,120,015**

Construction in progress at December 31, 2025, consisted primarily of costs related to equipment put into service in January of 2026 with no additional cost to complete.

6. Greeley County General Obligation Refunding and Improvement Bonds:

A schedule of changes in the Hospital's bonds follows:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amounts Due Within One Year
Greeley County bond contribution	$ 6,561,650	$ -	$ (673,871)	$ 5,887,779	$ 655,572

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Greeley County bond contribution	$ 7,261,720	$ -	$ (700,070)	$ 6,561,650	$ 673,871

6. Greeley County General Obligation Refunding and Improvement Bonds (continued):

Greely County issued The Unified Government of Greeley County, Kansas General Obligation Refunding and Improvement Bonds, Series 2021 (the Bonds) on September 30, 2021. The Bonds' proceeds consist of the principal amount of $10,025,000, plus a premium of $1,908,682, less costs of issuance and underwriter's discount of $100,250. The Bonds were used to remodel and expand the Hospital.

Based on accounting principles generally accepted in the United States of America, because the Hospital is a legally separate entity and the County is legally responsible for the bond debt service, the Bonds are not reported as an obligation of the Hospital. The Hospital will make annual contributions to the County for bond debt service, but the County remains the legally responsible entity for the bond debt service.

The scheduled annual payments to Greeley County are as follows:

Years Ending December 31,	Amount
2026	$ 655,572
2027	636,917
2028	615,121
2029	564,185
2030	545,396
2031-2035	2,360,241
2036-2037	510,347
	$ 5,887,779

7. Subscription and Lease Liabilities:

A schedule of changes in the Hospital's subscription and lease liabilities follows:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amounts Due Within One Year
Lease liabilities	$ 273,207	$ 24,000	$ (67,400)	$ 229,807	$ 63,667
Subscription liabilities					
3M Health Information Systems	33,216	-	(33,216)	-	-
Evident, LLC	613,469	-	(131,926)	481,543	148,674
Lunar System, Inc.	-	1,003,564	(161,658)	841,906	183,065
Total subscription liabilities	646,685	1,003,564	(326,800)	1,323,449	331,739
Total subscription and lease liabilities	**$ 919,892**	**$ 1,027,564**	**$ (394,200)**	**$ 1,553,256**	**$ 395,406**

7. Subscription and Lease Liabilities (continued):

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Lease liabilities	$ -	$ 293,444	$ (20,237)	$ 273,207	$ 51,400
Subscription liabilities					
3M Health Information Systems	48,764	-	(15,548)	33,216	17,334
Evident, LLC	740,245	-	(126,776)	613,469	136,619
Total subscription liabilities	789,009	-	(142,324)	646,685	153,953
Total subscription and lease liabilities	**$ 789,009**	**$ 293,444**	**$ (162,561)**	**$ 919,892**	**$ 205,353**

The Hospital has recorded subscription and lease liabilities for the following arrangements:

Subscription liabilities:

- 3M Health Information Systems, Inc., agreement effective September 22, 2018. The lease ended in 2025.
- Evident, LLC agreement effective September 28, 2021, with $14,833 payments for 72 months. The Hospital has the option to extend the agreement on an annual basis at the same monthly payment. This lease was terminated in 2026.
- Lunar System, Inc. agreement effective February 28, 2025, with $20,000 payments for 60 months. The Hospital has the option to extend the agreement with the same terms and conditions unless otherwise stated 60 days prior to contract renewal.

Lease liabilities: Various lease liabilities in amounts from $24,000 to $293,445 due in monthly installments of $2,000 through $6,000, effective through July 2029.

The scheduled annual principal and interest payments over the terms of subscription and lease liabilities are as follows:

Years Ending December 31,	Subscription Liabilities Principal	Interest	Total
2026	$ 331,739	$ 88,009	$ 419,748
2027	357,493	62,255	419,748
2028	385,246	34,502	419,748
2029	229,096	10,904	240,000
2030	19,875	124	19,999
	$ 1,323,449	**$ 195,794**	**$ 1,519,243**

7. Subscription and Lease Liabilities (continued):

Lease liabilities (continued):

Years Ending December 31,	Lease Liabilities		
	Principal	Interest	Total
2026	$ 63,667	$ 15,733	$ 79,400
2027	60,288	11,112	71,400
2028	65,291	6,109	71,400
2029	40,561	1,089	41,650
	$ 229,807	**$ 34,043**	**$ 263,850**

8. Net Patient Service Revenue:

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Hospital's provisions for bad debts and writeoffs have not changed significantly from the prior year. The Hospital has not changed its charity care or uninsured discount policies during 2025 or 2024.

Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, follows:

	2025	2024
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 9,239,486**	$ 7,900,405
Medicaid	**2,017,924**	2,258,834
Other third-party payors	**3,387,456**	3,665,846
Patients	**1,911,452**	1,483,183
340B contract pharmacy	**1,739,826**	1,304,307
	18,296,144	16,612,575
Less:		
Charity care	**328,552**	402,356
Provision for bad debts	**122,779**	196,098
Net patient service revenue	**$ 17,844,813**	$ 16,014,121

8. Net Patient Service Revenue (continued):

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 has been designated a critical access hospital by Medicare and is reimbursed for inpatient and outpatient services and rural health clinic visits on a cost basis as defined and limited by the Medicare program. Physician services outside the rural health clinic are paid on a fee schedule. The Hospital is reimbursed for cost reimbursable items 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.

- ***Medicaid*** – Inpatient, outpatient, rural health clinic, and long-term care services are reimbursed using a prospective payment methodology.

The Hospital also has 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, fee schedules, and prospectively determined daily rates.

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. Cost settlements increased by approximately $77,000 in 2025 and decreased by approximately $14,000 in 2024 due to changes in estimates.

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2025 and 2024, were approximately $262,000 and $326,000, respectively.

9. Intergovernmental Revenue:

The Hospital receives significant financial support from intergovernmental revenue derived from property taxes levied by the County. These funds were used to support operations of the Hospital. Property taxes are assessed by the County in November of one year and are received beginning in January of the following year. Intergovernmental revenue is recognized in the year in which use is first permitted.

10. Defined Contribution Plan:

The Hospital sponsors and administers 403(b) and 401(a) defined contribution pension plans. The Greeley County Health Services Inc. Employees' Pension Plan (the Plan) is available to all employees who have completed one year of service. Employees that participate are required to contribute a minimum of 4.5 percent of their gross wages. After one year of successful employment, GCHS will begin matching 3 percent of the employee's gross wages for the remainder of their employment. The Plan is administered by the Hospital. The Plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Employees are permitted to make contributions up to the applicable IRC limits.

Vesting is based on years of credited services as set forth in the following table. Service prior to the date in which an employee becomes a participant in the Plan does not qualify for vesting purposes. A participant will become 100 percent vested immediately upon early retirement, attainment of normal retirement age, or death.

Participant's Years of Service	Vested Percentage
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

Employee contributions to the Plan during the years ended December 31, 2025 and 2024, were approximately $478,000 and $398,000, respectively. The Hospital made matching contributions to the Plan of approximately $163,000 and $168,000 for the years ended December 31, 2025 and 2024, respectively.

The Hospital had no material liability to the Plan at December 31, 2025 and 2024.

11. Contingencies:

Medical malpractice claims – The Hospital has professional liability insurance with KAMMCO Casualty Company, Inc. The policy provides protection on a "claims-made" basis, whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Hospital purchased claims-made insurance in that year, or the Hospital purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides $500,000 per claim of primary coverage with an annual aggregate limit of $1,500,000.

The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year.

11. Contingencies (continued):

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

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Litigation – The Hospital is also involved in litigation and regulatory investigations arising in the normal course of business. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Healthcare self-insurance – Beginning in 2025, the Hospital participates in a self-insured health insurance plan administered by Everlong Group Long Captive Services, LLC. The Hospital self-insures the first $60,000 in claims per eligible participant. The Hospital also purchases annual stop-loss insurance coverage for all claims in excess of $60,000 per participant. The calculation of loss coverage is based upon a set dollar amount per covered employee. Accrued payroll and related liabilities on the statements of financial position included an accrual for claims that have been incurred but not reported. The current year claims are approximately $950,000 with a year-end claim liability of approximately $226,000.

12. Concentration of Risk:

Patient accounts receivable – The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Greeley and Wallace Counties.

The mix of receivables from patients was as follows:

	2025	2024
Medicare	**47 %**	44 %
Medicaid	**11**	3
Other third-party payors	**25**	22
Patients	**17**	31
	100 %	100 %

Physicians – The Hospital is dependent on local physicians practicing in its service area to provide admissions and utilize Hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on Hospital operations.